FINANCIAL STATEMENTS AND NOTES

Independent auditor's report

to the members of Standard Chartered PLC only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Standard Chartered PLC (the Group) for the year ended 31 December 2016 set out on pages 199 to 293. In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRS as adopted by the EU)
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the International Accounting Standards (IASs) Regulation

OVERVIEW	
Materiality: Group financial statements as a whole	$150 million (2015: $150 million) 4.3% (2015: 3.4%) of a four-year normalised average Group profit before tax
Coverage	92% (2015: 95%) of Group profit before tax (PBT)

Risks of material misstatement	vs 2015
Impairment on loans and advances *(recurring risk)*	↔
Provisions for legal and regulatory matters *(event-driven risk)*[1]	↑
Goodwill impairment *(recurring risk)*	↑
Valuation of financial instruments held at fair value and related valuation adjustments *(recurring risk)*	↔
Information technology[1] *(recurring risk)*	↔

1. Separately set out in the auditor's report for first time in 2016

2. Our assessment of risks of material misstatement

The starting point for our audit was a consideration of the inherent risks to the Group's business model and how these have been mitigated. This included understanding the strength of the Group's capital and liquidity position, the diversification of its assets and the flexibility and tenor of its balance sheet.

We assessed and challenged the inherent risks with reference to:

- International Monetary Fund (IMF) economic forecasts and commentary
- The perspectives of our in-country audit teams on their local economies, particularly the banking sector
- The views of our specialists in a number of areas including bank regulation, IT and tax
- The views of the Prudential Regulatory Authority (PRA) and regulators in other key geographies
- The results of the PRA's stress tests, published on 30 November 2016
- The Group's budgets, regular forecasts, internal stress testing, reporting to the Audit, Board Risk and Group Risk Committees and the many discussions we have with senior management of the Group as well as country management teams

The risks and focus areas of our audit we identified as a result are set out on the following pages.

We considered the Group's control environment and in particular whether its systems were processing transactions completely and faithfully, and included appropriate controls designed to prevent fraud. Our work included testing the key controls over the processing of transactions and the key inter-system, bank and custodial reconciliations as well as trade confirmations. These automated and manual controls are pervasive to all risks across the Group.

These assessments enabled us to form a judgement on going concern and to determine the key areas of financial statement risk on which our audit should be focused. Thereafter, by looking at both broad risk themes across the Group and particular concerns in specific geographies and businesses, we were then able to calibrate our work to financial statement risk more precisely.

As a result, we recalibrated our assessment of the risks of material misstatement as compared to prior year.

- We removed the provision for redundancy and other restructuring costs because the events and circumstances giving rise to the risk were related to the prior year reorganisation
- The level of regulatory change across the footprint, as well as a number of new and ongoing regulatory matters, warranted the identification of provisions and disclosure for legal and regulatory matters as one of the risks that had most significant effect on our audit
- Given the high dependence on technology and the significant daily volume of transactions processed, the Group's investment in its IT infrastructure and heightened focus on user access controls, we separately identified information technology as one of the risks that had most significant effect on our audit

In arriving at our audit opinion on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, are set out below.

SUMMARY OF KEY RISKS

Significant risks	Areas of focus
Impairment of loans and advances	India loan exposures (Corporate & Institutional Banking and Commercial Banking clients)
	Indonesia loan exposures, including exposures in the Group's joint venture
	Diamond and jewellery exposures (Corporate & Institutional Banking and Commercial Banking clients)
	China loan exposures (Corporate & Institutional Banking and Commercial Banking clients)
	Commodities and oil and gas and related exposures (together 'commodities and related exposures')
	Loan exposures denominated in US dollars for counterparties operating in non-US jurisdictions (Corporate & Institutional Banking and Commercial Banking clients)
	Liquidation portfolio valuation
	Significant Early Alert and Group Special Asset Management (GSAM) loans
	Management judgements employed in the calculation of collective provisions
	Disclosures in relation to credit risk including forbearance
Provisions for legal and regulatory matters	Historical fines sanctioned by the US authorities
	Investigations by regulators, specifically in the US, UK and Hong Kong
Goodwill impairment	Cash-generating units with low headroom
Valuation of financial instruments	Valuation of level 3 financial instruments
	Modelling of and inputs into valuation of derivative and other instruments
	Appropriateness of valuation adjustments
	Disclosures of the fair value hierarchy
Information technology	Key systems at the local, regional and Group level and at the Group's shared services centres

IMPAIRMENT OF LOANS AND ADVANCES

The carrying value of loans and advances to banks and customers held at amortised cost may be materially misstated, if impairments are not appropriately identified and estimated. The identification of impaired assets and the estimation of impairments including estimates of future cash flows, valuation of collateral and calculation of the collective provision involves significant management judgement.

Refer to the critical accounting estimates and judgements in note 1, Audit Committee report on pages 74 to 78 and the disclosures of credit risk on pages 150 to 168.

Corporate & Institutional Banking clients, Commercial Banking clients and Private Banking clients (collectively 'larger clients') represent 72 per cent ($237 billion) of the Group's net loan exposure, whereas Retail clients represent 28 per cent ($93 billion). These exposures are different in nature and require a different approach to auditing loan impairment. The larger client exposure comprises loans that are monitored individually due to size, based on the knowledge of each individual borrower. In contrast, the retail client exposure comprises much smaller value loans to a greater number of customers. Accordingly, loans are not evaluated for impairment on an individual basis, but are grouped by product into homogeneous exposures. Exposures are then monitored through delinquency statistics and impairment recorded based on projected losses, adjusted for current market conditions. Therefore, we designed our audit response to address the individual impairment provision, for the larger clients, and the collective impairment provision, for both the larger and retail clients. The Group continued to de-risk their loan book across all segments.

Areas of focus	Our response
Indian Corporate & Institutional and Commercial Banking client loan exposures due to tightening liquidity, slow regulatory reform, high debt levels, weak balance sheets and demonetisation. Indonesia Corporate & Institutional Banking and Commercial Banking loan exposures including exposures in the Group's joint venture, due to stress in the local economy. Diamond and jewellery-related exposures, given refinancing issues in the sector and challenges with collateral recovery. Chinese Corporate & Institutional and Commercial Banking loan exposures due to slowdown of the economy and refinancing pressure. Commodities and related exposures as commodity and oil prices remain depressed. Corporate & Institutional and Commercial Banking loan exposures denominated in US dollars for counterparties operating in non-US jurisdictions impacted by exchange rate fluctuations. Liquidation portfolio due to the judgement required to assess the price at which the Group could sell impaired loans. Significant Early Alert and GSAM loans due significant estimates and to judgement required to assess recoverability. Management judgements employed in the calculation of collective provisions. Disclosures related to credit risk, including those over forbearance.	Our procedures included: • **Manual and automated controls over individual and collective provisions:** Tested key controls over the credit grading, governance and monitoring process to assess if the risk grades allocated to counterparties were accurate and loans were appropriately identified and migrated through, on a timely basis, early alert or grades 12 to 14. Tested key management controls over the input of underlying data into the collective provision models • **Risk assessment:** We performed risk assessment to identify higher risk portfolios (discussed on the left), including an assessment of management's own portfolio stress tests and risk mitigation actions to identify areas of focus. We scoped additional loans for credit assessment (over and above the sampling criteria below), when we deemed specific counterparties high risk in light of the portfolio analysis performed • **Credit file reviews:** At each scoped component, performed credit file reviews for control and substantive purposes to test the accuracy of risk ratings and recoverability of loans. We critically assessed all loans with a carrying value above $40 million in credit grades 12 to 14 (see pages 153 to 154), certain loans above $75 million on the Group's Early Alert Report (see page 144), and a selection of loans in credit grades 1 to 11 (see pages 153 to 154) selected by component teams based on local materiality levels and specific risks. Our credit file reviews challenged the forecast of recoverable cash flows, probability of realisation, and valuation of collateral and other possible sources of repayment. We compared key assumptions against business plans and our understanding of the relevant industries and business environments, as well as to externally derived evidence such as commodity prices, business performance and real estate valuations • **Liquidation portfolio:** This portfolio comprises selected impaired exposures and our procedures in respect of the impaired exposures involved assessing the key judgements relating to recovery, namely the likely price or underlying security valuations and expected time to sell • **Challenge collective impairment provision model methodology and inputs:** Our modelling specialists evaluated model methodology, key assumptions and management's model validation for a sample of models. We substantively tested the completeness and accuracy of key inputs (e.g. year-end balances, repayment history, risk ratings) into models and assessed the appropriateness of the emergence period for both larger clients and retail clients. We compared the model output to the Group's observed loss history and compared coverage rates to externally available industry, financial and economic data, where available • **Adequacy of specific risk overlays:** We critically challenged the appropriateness of management overlays to the modelled collective provision to assess if it reflects recent loss experience, current market conditions and specific risks to the exposure. We also assessed the completeness of overlays, i.e. that all material risk pockets were considered • **Disclosures:** We critically assessed whether disclosures appropriately reflect the Group's exposure to credit risk, including controls over identification and disclosure of forborne loans, collateral valuation and sensitivity of key assumptions

PROVISIONS FOR LEGAL AND REGULATORY MATTERS

There are a number of pending and ongoing legal disputes and regulatory investigations involving the Group. The directors exercise significant judgement over the recognition and measurement of provisions, including when a constructive obligation arises, and the measurement and disclosure of contingent liabilities relating to these matters, which are subject to the future outcome of legal or regulatory processes.

Refer to the critical accounting estimates and judgments in note 23, Audit Committee report on pages 74 to 78 and disclosure of legal and regulatory matters in note 25.

Areas of focus	Our response
We focused on risks arising from matters in the US, Hong Kong and UK. Our focus was driven by: • Historical fines sanctioned by US authorities (see pages 250 to 251) against the Group and other banking entities, focused on financial crime compliance • Investigations by regulators, specifically in the US, UK and Hong Kong (see page 251)	Our procedures included: • **Corroborative inquiry:** regular meetings with regional and local management and directors, the Group's internal legal teams, the Group's external counsel in the US, the Group's general counsel, and the Group's UK regulatory bodies (who are in regular contact with US and other regulatory bodies) to understand the nature and status of legal disputes and regulatory investigations and to understand the legal position and basis of provisioning • **Review third party documentation:** inspected communications from regulators and legal opinions obtained from the Group's external counsel • **Challenge key assumptions:** challenged the adequacy of provisions recognised, or lack thereof, including whether recognition criteria are met, by critically assessing the key assumptions forming the basis of the provisioning and comparing the assumptions to available peer and historical data • **Disclosures:** assessed the disclosures to determine whether they were sufficiently clear regarding the inherent uncertainty associated with provisions recognised and assessing appropriateness and extent of contingent disclosures for those pending matters for which no provision has been raised

GOODWILL IMPAIRMENT

Goodwill may be misstated if the carrying value of goodwill in the balance sheet is not supported by the estimated discounted future cash flows of the underlying business. The estimation of future cash flows and the assumptions involved in calculating the discounted value of these cash flows both involve the application of management judgement.

Refer to the critical accounting estimates and judgements in note 1, Audit Committee report on pages 74 to 78 and the disclosures of goodwill in note 17.

Areas of focus	Our response
Pre-impairment goodwill in the balance sheet is \$3.6 billion with approximately \$2.6 billion of this relating to cash-generating units (CGUs) where post-acquisition growth in cash flows provides substantial headroom over the goodwill balance and for which we identified no other indicators of impairment. We regard these as low risk from a misstatement perspective. Our work was therefore focused on the \$1.0 billion of goodwill from CGUs with lower headroom and for which we identified other indicators of impairment. As a result our work was focused on, but not limited to, Taiwan and Thailand. We also performed targeted procedures over the \$1.5 billion of goodwill from CGUs that are particularly sensitive to the impairment model discount rate assumptions, but that otherwise have sufficient headroom	Our procedures included: • **Methodology review:** our valuation specialists assessed the appropriateness of the Group's valuation approach and discount rate calculation • **Critically assess cash flows:** with direct involvement of component audit teams, assessed the internal consistency of cash flow assumptions as compared to formal business plans and our knowledge of the local banking environment and compared forecasts to historical experience • **Challenge of other key assumptions:** challenged the Group's identification of CGUs, discount rate, growth rate, and other non-financial assumptions through comparison to external sources, and, where appropriate, those used by peer banks and other economic metrics • **Disclosures:** assessed whether the financial statement disclosures, including sensitivity to key assumptions, reflect the risks inherent to the valuation of goodwill

VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE AND RELATED VALUATION ADJUSTMENTS

The valuation of financial instruments held at fair value through profit or loss or as available-for-sale may be misstated due to the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

Refer to the critical accounting estimates and judgements in note 1, Audit Committee report on pages 74 to 78 and the disclosures of valuation risk in note 13.

Areas of focus	Our response
Valuation of level 3 positions comprising \$2.3 billion, 1.2% of total fair value financial instruments (2015: \$3.0 billion, 1.5%), including unlisted investments in the Principal Finance business and derivatives with significant unobservable pricing inputs. Modelling of and key inputs into the valuation of derivative and other instruments. Appropriateness of and inputs into valuation adjustments including those relating to counterparty credit, funding and own credit risk. Disclosures of the fair value hierarchy of assets and liabilities held at fair value, including the assessment of observability of pricing inputs.	Our procedures included: • **Valuation controls:** we tested the Group's controls over the identification, measurement and management of valuation risk including independent price verification control, governance over valuation models, model validation and management reporting of valuation risk • **Modelling methodologies:** we assessed whether, the model valuation methodologies used for material valuation risks are appropriate, utilising our valuation specialists • **Price testwork:** we tested, for a selection of pricing inputs, that they were externally sourced and were correctly input into pricing models. We independently valued a selection of the Group's debt and equity securities and compared these to the Group's valuation. For a selection of derivative positions, we obtained the valuation of each position submitted by the counterparty to a common collateral platform used in the Group's collateral management process and compared these to the Group's own valuation for the same position • **Level 3:** we assessed, for a selection of level 3 positions, the valuation methodology, model and assumptions used, considering potential alternatives and sensitivities to key factors. Independently vouched key pricing inputs to source data and assessed the appropriateness of assumptions used in relation to unobservable inputs. We challenged the appropriateness and completeness of the model reserves held against instruments where elements of risk could not be modelled • **Valuation adjustments:** utilising our valuation specialists, we assessed the appropriateness of the methodologies and models used to estimate valuation adjustments. We assessed for a selection of transactions the appropriateness of key assumptions and inputs, in particular counterparty credit risk. For a sample of counterparties agreed credit risk inputs to directly observable sources and, where proxies were used, we assessed the appropriateness of the proxy, considering the availability of alternatives • **Disclosures:** we tested a selection of instruments to establish the observability of key pricing inputs with reference to active markets and, where relevant, the term of the instrument. We assessed the appropriateness of the fair value hierarchy assigned to these instruments. Particularly for level 3 positions, we assessed whether the financial statement disclosures, including sensitivity to key inputs, appropriately reflect the Group's exposure to valuation risk

INFORMATION TECHNOLOGY

The Group's key financial accounting and reporting processes are highly dependent on the automated controls over the Group's information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated.

Refer to the Audit Committee report on pages 74 to 78.

Areas of focus	Our response
Our audit effort focused on key systems in country and at Group level and at the Group's shared services centres, with particular focus on security and access management, segregation of duties and controls over system change.	Our procedures included: • **General IT controls:** we tested the governance and other higher controls operating over the information technology environment across the Group, including system access and system change management, program development and computer operations • We considered the appropriateness of the access rights granted to applications relevant to financial accounting and reporting systems and the operating effectiveness of controls over granting, removal and appropriateness of access rights • **Application controls:** we tested the design and operating effectiveness of automated controls critical to financial accounting and reporting. For any identified deficiencies, tested the design and operating effectiveness of compensating controls and, where necessary, extended the scope of our substantive audit procedures

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set with reference to a benchmark of the normalised average profit or loss before tax for the past four years (representing 4.3 per cent of the benchmark (2015: 3.4 per cent)). Absolute values of profit (2016, 2014, 2013) and loss (2015) before tax were considered after normalisation adjustments for the impairment of goodwill (2015, 2014 and 2013) as disclosed in note 17 and the Civil Penalty from the US branch (2014) as these items are discrete.

This approach mitigates undue volatility in determining our materiality, focusing on underlying profitability of the Group over the past four years.

We report to the Audit Committee any corrected or uncorrected identified misstatements affecting Group profit and loss or Group shareholders' funds exceeding $7.5 million (2015: $7.5 million) and affecting Group assets and liabilities exceeding $75 million (2015: $75 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Coverage and scoping: The coverage of our audit is focused on those components which are either individually significant or contain significant risks.

Component scoping: Components subject to specified audit procedures (as shown in the table above) were not individually financially significant to require an audit for Group reporting purposes, but were scoped on the basis of the significant volume of liquid assets and transactions processed in those components. The components within the scope of our work account for the percentages illustrated in the 'Group total assets' and 'Group profit before tax' tables to the right.

All central processing hubs where in-scope financial reporting processes are performed were subject to specified audit procedures, primarily over transaction processing and IT controls.

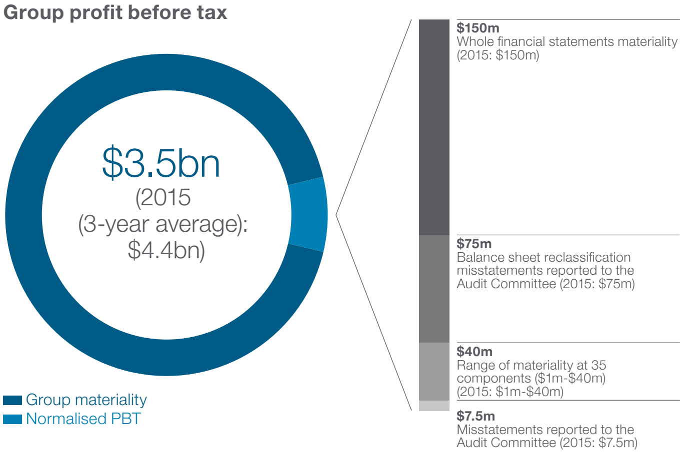
Component materiality and coverage: The Group team instructed component and hub auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported to the Group team. The Group team approved the component materiality levels, which ranged from $1 million to $40 million, having regard to the mix of size and risk profile of the Group across the components and hubs. Aside from the audit of the parent company, consolidation, valuation of financial instruments, collective impairment provision methodology and goodwill impairment, all audit work was performed by component or hub auditors. The Group team also performed quality assurance checks on loan impairment judgements made by component auditors for all loans above $40 million in credit grades 12, 13 and 14 (see page 153 to 154) and higher risk loans above $75 million on the Group's early alert list (see page 144).

Group oversight: As part of determining the scope and preparing the audit plan and strategy, the Group team led a global planning conference to discuss key audit risks and obtain input from component and hub teams. Senior audit partners oversaw the audit in each region and facilitated implementation of the audit approach over key risks. Further, the Group team visited 11 (2015: 7) component and hub locations, including China, Hong Kong, India, Indonesia, Kenya, Singapore, South Korea, Taiwan, Tanzania UAE and US. Regular conference calls were also held with these component auditors and the majority of the others that were not physically visited. At these visits and meetings, the findings reported to the Group team and any further work required by the Group team were discussed in more detail.

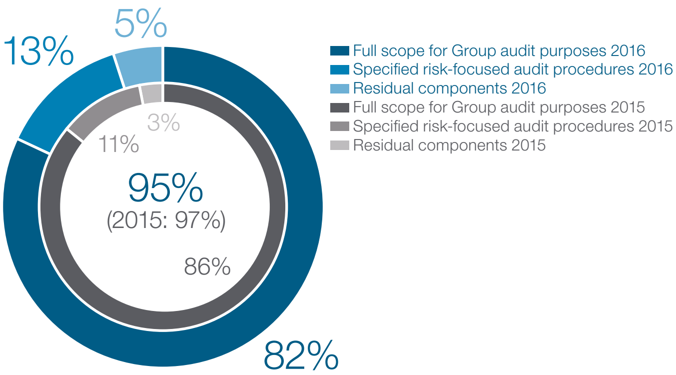
	Components/hubs 2016	Components/hubs 2015
Total Group components[1]	**178**	177
– Subject to full scope audit	**35**	33
– Subject to specified procedures	**4**	3
Hubs subject to specified audit procedures	**8**	8

1. Component defined as reporting component within the Group's consolidation system, typically these are a branch or subsidiary of the Group

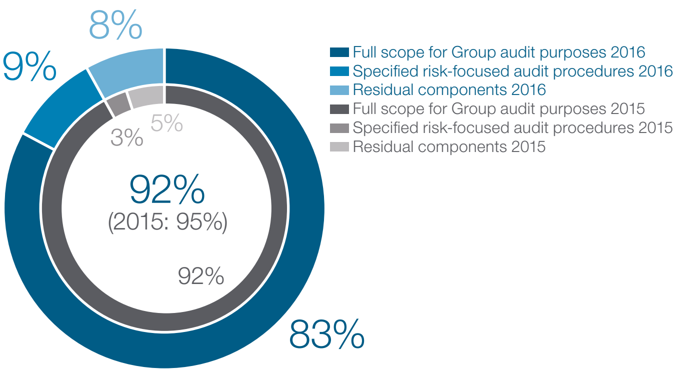
Four-year average normalised Group profit before tax **Materiality**



Group total assets



Group profit before tax



4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act
- The information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- We have not identified material misstatements in those reports
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- The directors' Viability statement on page 124, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2019
- The disclosures in 'Other disclosures' on page 124 concerning the use of the going concern basis of accounting

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (the UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- The Corporate governance section of the Annual Report describing the work of the Group Audit Committee does not appropriately address matters communicated by us to the Group Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us
- The parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns
- Certain disclosures of Directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

- The Directors' statements, set out on page 124, in relation to going concern and longer-term viability
- The part of the Corporate governance statement on page 64 relating to the company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 131, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Michelle Hinchliffe
Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants

15 Canada Square
London E14 5GL

24 February 2017

Consolidated income statement

For the year ended 31 December 2016

	Notes	2016 $million	2015 $million
Interest income		**13,010**	14,613
Interest expense		**(5,216)**	(5,206)
Net interest income	3	**7,794**	9,407
Fees and commission income		**3,671**	4,088
Fees and commission expense		**(440)**	(481)
Net fees and commission income	4	**3,231**	3,607
Net trading income	5	**1,886**	912
Other operating income	6	**1,149**	1,363
Operating income		**14,060**	15,289
Staff costs		**(6,303)**	(7,119)
Premises costs		**(797)**	(831)
General administrative expenses		**(2,372)**	(2,559)
Depreciation and amortisation		**(739)**	(664)
Operating expenses	7	**(10,211)**	(11,173)
Operating profit before impairment losses and taxation		**3,849**	4,116
Impairment losses on loans and advances and other credit risk provisions	8	**(2,791)**	(4,976)
Other impairment			
Goodwill	9	**(166)**	(488)
Other	9	**(446)**	(367)
(Loss)/profit from associates and joint ventures	31	**(37)**	192
Profit/(loss) before taxation		**409**	(1,523)
Taxation	10	**(600)**	(673)
Loss for the year		**(191)**	(2,196)
Profit/(loss) attributable to:			
Non-controlling interests	28	**56**	(2)
Parent company shareholders		**(247)**	(2,194)
Loss for the year		**(191)**	(2,196)
		cents	cents
Earnings per share:			
Basic loss per ordinary share	12	**(14.5)**	(91.9)
Diluted loss per ordinary share	12	**(14.5)**	(91.9)

The notes on pages 207 to 293 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Notes	2016 $million	2015 $million
Loss for the year		**(191)**	(2,196)
Other comprehensive loss			
Items that will not be reclassified to income statement:		**(445)**	(67)
Own credit losses on financial liabilities designated at fair value through profit or loss	13	**(372)**	–
Actuarial losses on retirement benefit obligations	29	**(105)**	(57)
Taxation relating to components of other comprehensive income	10	**32**	(10)
Items that may be reclassified subsequently to income statement:		**(968)**	(2,227)
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(817)**	(2,003)
Net gains on net investment hedges		**30**	90
Share of other comprehensive loss from associates and joint ventures	31	**(11)**	–
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity		**48**	(57)
Reclassified to income statement		**(188)**	(328)
Cash flow hedges:			
Net losses taken to equity		**(79)**	(71)
Reclassified to income statement	14	**57**	107
Taxation relating to components of other comprehensive income	10	**(8)**	35
Other comprehensive loss for the year, net of taxation		**(1,413)**	(2,294)
Total comprehensive loss for the year		**(1,604)**	(4,490)
Total comprehensive income/(loss) attributable to:			
Non-controlling interests	28	**45**	(40)
Parent company shareholders		**(1,649)**	(4,450)
		(1,604)	(4,490)

Consolidated balance sheet

As at 31 December 2016

	Notes	2016 $million	2015 $million
Assets			
Cash and balances at central banks	13, 34	**70,706**	65,312
Financial assets held at fair value through profit or loss	13	**20,077**	23,401
Derivative financial instruments	13, 14	**65,509**	63,143
Loans and advances to banks	13, 16	**72,609**	64,494
Loans and advances to customers	13, 16	**252,719**	257,356
Investment securities	13, 15	**108,972**	114,767
Other assets	13, 20	**36,940**	34,252
Current tax assets	10	**474**	388
Prepayments and accrued income		**2,238**	2,174
Interests in associates and joint ventures	31	**1,929**	1,937
Goodwill and intangible assets	17	**4,719**	4,642
Property, plant and equipment	18	**7,252**	7,209
Deferred tax assets	10	**1,294**	1,059
Assets classified as held for sale	13, 20	**1,254**	349
Total assets		**646,692**	640,483
Liabilities			
Deposits by banks	13	**36,894**	37,611
Customer accounts	13	**371,855**	350,633
Financial liabilities held at fair value through profit or loss	13	**16,598**	20,872
Derivative financial instruments	13, 14	**65,712**	61,939
Debt securities in issue	13, 21	**46,700**	59,880
Other liabilities	13, 22	**33,146**	31,939
Current tax liabilities	10	**327**	769
Accruals and deferred income		**5,223**	5,451
Subordinated liabilities and other borrowed funds	13, 26	**19,523**	21,852
Deferred tax liabilities	10	**353**	293
Provisions for liabilities and charges	23	**213**	215
Retirement benefit obligations	29	**525**	445
Liabilities included in disposal groups held for sale	13, 22	**965**	72
Total liabilities		**598,034**	591,971
Equity			
Share capital and share premium account	27	**7,091**	7,088
Other reserves		**11,524**	12,182
Retained earnings		**25,753**	26,934
Total parent company shareholders' equity		**44,368**	46,204
Other equity instruments	27	**3,969**	1,987
Total equity excluding non-controlling interests		**48,337**	48,191
Non-controlling interests	28	**321**	321
Total equity		**48,658**	48,512
Total equity and liabilities		**646,692**	640,483

The notes on pages 207 to 293 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 24 February 2017 and signed on its behalf by:

José Viñals
Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital and share premium account $million	Capital and merger reserve[1] $million	Own credit adjustment reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
At 1 January 2015	6,718	12,439	–	456	(57)	(3,148)	30,024	46,432	–	306	46,738
Loss for the year	–	–	–	–	–	–	(2,194)	(2,194)	–	(2)	(2,196)
Other comprehensive (loss)/income, net of taxation	–	–	–	(324)	11	(1,878)	(65)[2]	(2,256)	–	(38)	(2,294)
Distributions	–	–	–	–	–	–	–	–	–	(26)	(26)
Shares issued, net of expenses	370	4,683	–	–	–	–	–	5,053	–	–	5,053
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	1,987	–	1,987
Net own shares adjustment	–	–	–	–	–	–	(58)	(58)	–	–	(58)
Share option expense, net of taxation	–	–	–	–	–	–	148	148	–	–	148
Dividends, net of scrip[3]	–	–	–	–	–	–	(921)	(921)	–	–	(921)
Other movements[4]	–	–	–	–	–	–	–	–	–	81	81
As at 31 December 2015	**7,088**	**17,122**	**–**	**132**	**(46)**	**(5,026)**	**26,934**	**46,204**	**1,987**	**321**	**48,512**
Transfer of own credit adjustment, net of taxation[5]	**–**	**–**	**631**	**–**	**–**	**–**	**(631)**	**–**	**–**	**–**	**–**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(247)**	**(247)**	**–**	**56**	**(191)**
Other comprehensive loss, net of taxation	**–**	**–**	**(342)**	**(136)**	**(39)**	**(779)**	**(106)**[2]	**(1,402)**	**–**	**(11)**	**(1,413)**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37)**	**(37)**
Shares issued, net of expenses	**3**	**7**	**–**	**–**	**–**	**–**	**–**	**10**	**–**	**–**	**10**
Other equity instruments issued, net of expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,982**	**–**	**1,982**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**(46)**	**(46)**	**–**	**–**	**(46)**
Share option expense, net of taxation	**–**	**–**	**–**	**–**	**–**	**–**	**80**	**80**	**–**	**–**	**80**
Dividends, net of scrip[3]	**–**	**–**	**–**	**–**	**–**	**–**	**(231)**	**(231)**	**–**	**–**	**(231)**
Other movements[6]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**
As at 31 December 2016	**7,091**	**17,129**	**289**	**(4)**	**(85)**	**(5,805)**	**25,753**	**44,368**	**3,969**	**321**	**48,658**

1. Includes capital reserve of $5 million and capital redemption reserve of $13 million
2. Comprises actuarial loss, net of taxation and share from associates and joint ventures of $106 million (2015: $67 million)
3. Comprises dividends paid $nil million (2015: $755 million) and dividends on preferences shares classified as equity and Additional Tier 1 securities $231 million (2015: $166 million)
4. Additional investment from non-controlling interests in one of the Group's subsidiary undertakings
5. Following the Group early adopting IFRS 9 Financial Instruments to present own credit adjustments within Other comprehensive income (rather than Net trading income)
6. Predominantly due to completion of sale of business with non-controlling interest in Pakistan and issuance of shares to non-controlling interests in Angola

Note 27 includes a description of each reserve.

The notes on pages 207 to 293 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2016

	Notes	Group 2016 $million	Group 2015 $million	Company 2016 $million	Company 2015 $million
Cash flows from operating activities					
Profit/(loss) before taxation		**409**	(1,523)	**192**	883
Adjustments for non-cash items and other adjustments included within income statement	33	**4,615**	6,949	**703**	(246)
Change in operating assets	33	**(8,286)**	36,812	**110**	209
Change in operating liabilities	33	**13,080**	(70,244)	**(619)**	(57)
Contributions to defined benefit schemes	29	**(98)**	(109)	**–**	–
UK and overseas taxes paid		**(1,287)**	(1,285)	**(12)**	(23)
Net cash from/(used) in operating activities		**8,433**	(29,400)	**374**	766
Cash flows from investing activities					
Purchase of property, plant and equipment	18	**(195)**	(130)	**–**	–
Disposal of property, plant and equipment		**23**	109	**–**	–
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired	31	**(238)**	–	**(5,500)**	(3,500)
Dividends received from associates and joint ventures	31	**3**	12	**204**	973
Disposal of subsidiaries		**636**	667	**–**	–
Purchase of investment securities		**(207,274)**	(209,519)	**(4,000)**	–
Disposal and maturity of investment securities		**210,857**	195,457	**1,300**	–
Net cash from/(used) in investing activities		**3,812**	(13,404)	**(7,996)**	(2,527)
Cash flows from financing activities					
Issue of ordinary and preference share capital, net of expenses		**10**	5,053	**10**	5,053
Exercise of share options		**5**	10	**5**	10
Purchase of own shares		**(51)**	(68)	**(51)**	(68)
Issue of Additional Tier 1 capital, net of expenses	27	**1,982**	1,987	**1,982**	1,987
Proceeds from issue of subordinated liabilities		**1,250**	–	**1,250**	–
Interest paid on subordinated liabilities		**(920)**	(1,082)	**(604)**	(606)
Repayment of subordinated liabilities		**(2,666)**	(5)	**(105)**	–
Proceeds from issue of senior debt		**5,453**	5,388	**4,385**	4,248
Repayment of senior debt		**(6,470)**	(6,947)	**(3,941)**	(4,548)
Interest paid on senior debt		**(454)**	(584)	**(365)**	(460)
(Investment in)/repayment from non-controlling interests		**(8)**	82	**–**	–
Dividends paid to non-controlling interests and preference shareholders		**(268)**	(192)	**(231)**	(166)
Dividends paid to ordinary shareholders, net of scrip		**–**	(755)	**–**	(755)
Net cash (used in)/from financing activities		**(2,137)**	2,887	**2,335**	4,695
Net increase/(decrease) in cash and cash equivalents		**10,108**	(39,917)	**(5,287)**	2,934
Cash and cash equivalents at beginning of the year		**88,428**	129,870	**20,517**	17,583
Effect of exchange rate movements on cash and cash equivalents		**(1,559)**	(1,525)	**–**	–
Cash and cash equivalents at end of the year	34	**96,977**	88,428	**15,230**	20,517

The notes on pages 207 to 293 form an integral part of these financial statements.

Company balance sheet

As at 31 December 2016

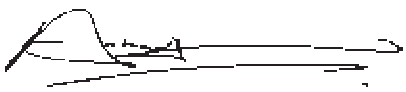
	Notes	**2016 $million**	2015 $million
Non-current assets			
Investments in subsidiary undertakings	31	**33,853**	28,381
Current assets			
Derivative financial instruments	35, 38	**529**	639
Investment securities	38	**15,009**	12,309
Amounts owed by subsidiary undertakings	38	**15,230**	20,517
		30,768	33,465
Current liabilities			
Derivative financial instruments	38	**1,541**	1,438
Other creditors		**399**	387
Taxation		**14**	23
		1,954	1,848
Net current assets		**28,814**	31,617
Total assets less current liabilities		**62,667**	59,998
Non-current liabilities			
Debt securities in issue	38	**17,132**	17,293
Subordinated liabilities and other borrowed funds	26, 38	**14,582**	13,736
		31,714	31,029
Total assets less liabilities		**30,953**	28,969
Equity			
Share capital and share premium account	27	**7,091**	7,088
Other reserves		**17,129**	17,122
Retained earnings		**2,764**	2,772
Total shareholders' equity		**26,984**	26,982
Other equity instruments	27	**3,969**	1,987
Total equity		**30,953**	28,969

The notes on pages 207 to 293 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 24 February 2017 and signed on its behalf by:

José Viñals
Chairman

Bill Winters
Group Chief Executive



Andy Halford
Group Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2016

	Share capital and share premium account $million	Capital and merger reserve[1] $million	Retained earnings $million	Other equity instruments $million	Total equity $million
At 1 January 2015	6,718	12,439	2,714	–	21,871
Profit for the year	–	–	883	–	883
Shares issued, net of expenses	370	4,683	–	–	5,053
Other equity instruments issued, net of expenses	–	–	–	1,987	1,987
Net own shares adjustment	–	–	(58)	–	(58)
Share option expense	–	–	154	–	154
Dividends, net of scrip[2]	–	–	(921)	–	(921)
At 31 December 2015	**7,088**	**17,122**	**2,772**	**1,987**	**28,969**
Profit for the year	**–**	**–**	**189**	**–**	**189**
Shares issued, net of expenses	**3**	**7**	**–**	**–**	**10**
Other equity instruments issued, net of expenses	**–**	**–**	**–**	**1,982**	**1,982**
Net own shares adjustment	**–**	**–**	**(46)**	**–**	**(46)**
Share option expense	**–**	**–**	**80**	**–**	**80**
Dividends, net of scrip[2]	**–**	**–**	**(231)**	**–**	**(231)**
At 31 December 2016	**7,091**	**17,129**	**2,764**	**3,969**	**30,953**

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

2. Comprises dividends paid $nil million (2015: $755 million) and dividends on preferences shares classified as equity and Additional Tier 1 securities $231 million (2015: $166 million)

Note 27 includes a description of each reserve.

The notes on pages 207 to 293 form an integral part of these financial statements.

Contents – Notes to the financial statements

Notes to the financial statements

1. ACCOUNTING POLICIES

Statement of compliance

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

The parent company financial statements present information about the Company as a separate entity.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations as endorsed by the 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.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements.

The following pages of the Strategic report form part of these financial statements:

- Client segment reviews, pages 30 to 43
- Regional reviews, pages 44 to 53

The following parts of the Risk review form part of these financial statements:

a) From the start of Risk profile on page 150 to the end of the Strategic risk section on page 181 excluding:

- Asset backed securities, page 169
- Country cross-border risk, page 169
- Market risk changes – risks not in value at risk, page 172
- Market risk changes – backtesting, page 172
- Mapping of market risk items to the balance sheet, page 173
- Stressed coverage, liquidity coverage ratio and net stable funding ratio, page 175
- Liquidity pool, page 176
- Encumbered assets, page 177
- Readily available for encumbrance, page 178
- Operational risk, page 180
- Other risks, page 181

b) Regulatory compliance, review, request for information and investigations on page 138

c) From the start of Risk management approach on page 139 to the end of Liquidity risk – stress testing on page 147, excluding Country cross-border risk on page 145 and where indicated on page 147

d) From the start of the CRD IV capital base section on page 183 to the end of Movement in total capital section on page 184

Basis of preparation

The consolidated and Company financial statements have been prepared under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, available-for-sale assets, and financial assets and liabilities (including derivatives) at fair value through profit or loss.

Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant disclosure notes for the following areas:

- Loan loss provisioning (refer to Risk review and Capital review on page 144)
- Taxation (note 10)
- Fair value and impairment of financial instruments (note 13)
- Goodwill impairment (note 17)
- Provisions for liabilities and charges (note 23)
- Retirement benefit obligations (note 29)
- Impairment of investments in associates and joint arrangements (note 31)
- Structured entities (note 32)

IFRS and Hong Kong Listing Rules

There are no significant differences between EU-endorsed IFRS and Hong Kong Financial Reporting Standards.

Prior period re-presentation

In November 2015 the Group announced a reorganisation of its business to better align the Group's structure to client segments with clear local or global needs and to streamline the geographic regions. This approach aligns with how the client segments and regions are managed internally. These changes became effective on 1 January 2016. In accordance with IFRS 8 *Operating Segments* the Group has therefore made changes to the composition of its client segments and geographic regions. On 5 July 2016 the Group re-presented the Group's financial results to reflect these changes for the year ended 31 December 2015 and this is available at investors.sc.com/en/releases.cfm. This representation has not resulted in any changes to the reported income or balances in total at a Group level and now is the basis upon which the Group reports.

Comparatives

Certain comparatives have been changed to comply with current year disclosures. Details of these changes are set out in the relevant notes below:

- Note 13 Financial instruments
- Note 24 Contingent liabilities and commitments
- Note 32 Structured entities
- Liquidity risk (page 180)
- Credit risk (pages 150 to 167)

These changes have not resulted in any amendments to the reported income statement or balance sheet of the Group.

New accounting standards adopted by the Group

The requirements for the classification and measurement of financial liabilities are specified in IAS 39, including the ability to designate financial liabilities as fair value through profit or loss. Following the EU Adoption of IFRS 9 *Financial Instruments* in November 2016, the Group elected to early apply the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss relating to own credit in other comprehensive income rather than net trading income (without applying the other requirements in IFRS 9). The own credit amounts are accounted for as a separate category of equity. Opening retained earnings has been adjusted to reclassify the cumulative own credit adjustment component of the cumulative fair value adjustment on financial liabilities designated at fair value through profit or loss. These amounts will not be recycled to the income statement but will be recycled to retained earnings on derecognition of the applicable instruments. IFRS 9 does not permit the prior year to be restated as discussed below.

1. ACCOUNTING POLICIES continued

The reporting of fair value changes relating to own credit in Other comprehensive income is only permitted where this does not create or enlarge an accounting mismatch. Where an accounting mismatch arises, the fair value changes are reported in the income statement. The Group currently designates financial liabilities at fair value through profit or loss only on the basis that they contain a bifurcated embedded derivative and not as a result of an accounting mismatch. There is no economic offset between fair value changes in own credit and the fair value changes in financial assets measured at fair value.

The accounting policies used by the Group are detailed in the relevant note to the financial statements, except those set out below. All have been applied consistently across the Group and to all years presented in these financial statements.

Foreign currencies

Items included in the Group financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency of that entity). Both the Group and Company financial statements are presented in US dollars, which is the functional and presentation currency of the Company and the presentation currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

Foreign currency translation

The results and financial position of all the entities included in the Group financial statements that have a functional currency different from the Group's presentation currency are accounted for as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date
- Income and expenses for each income statement are translated at average exchange rates or at rates on the date of the transaction where exchange rates fluctuate significantly
- All resulting exchange differences arising since 1 January 2004 are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or capital repatriated they are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

New accounting standards in issue but not yet effective

The following new standards are effective for periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements:

IFRS 9 Financial Instruments

IFRS 9 was issued in July 2014 and has an effective date of 1 January 2018. It was endorsed by the EU in November 2016. IFRS 9 replaces a number of elements of IAS 39 *Financial Instruments*: Recognition and Measurement; introducing new requirements for the classification and measurement of financial instruments; the recognition and measurement of credit impairment provisions; and providing for a simplified approach to hedge accounting.

The changes in measures arising on initial application of IFRS 9 will be incorporated through an adjustment to the opening reserves and retained earnings position as at 1 January 2018. Although IFRS 9 will be retrospectively applied, the Group is only permitted to restate comparatives if, and only if, it is possible without the use of hindsight. The Group does not consider it possible to restate comparatives for impairment without the use of hindsight. If comparatives were to be restated, they must incorporate all of the requirements of IFRS 9. For further details on the effect and implementation of IFRS 9 refer to note 40.

IFRS 15 Revenue from Contracts with Customers

The effective date of IFRS 15 is 1 January 2018 with early adoption permitted. The standard has been endorsed by the EU. The standard provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as or when they are satisfied. The standard may either be applied fully retrospectively or can be applied on a 'modified retrospective' basis whereby recognition, measurement and disclosure requirements are applied from 1 January 2018, subject to a cumulative catch-up adjustment to opening retained earnings on this date in respect of open contracts in scope of the standard.

It is expected that revenue in scope of IFRS 15 will predominantly be fees and commission income and the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 in these financial statements. We intend to provide a more comprehensive update in the 2017 Half Year Report.

IFRS 16 Leases

The effective date of IFRS 16 is 1 January 2019 with early adoption permitted if IFRS 15 is also adopted at or before application of IFRS 16. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 16 on these consolidated financial statements. The standard has yet to be endorsed by the EU.

2. SEGMENTAL INFORMATION

The Group's segmental reporting is in accordance with IFRS 8 *Operating Segments* and is reported consistently with the internal performance framework and as presented to the Group's Management Team. The four client segments are Corporate & Institutional Banking, Private Banking, Commercial Banking and Retail Banking. The four geographic regions are Greater China & North Asia, ASEAN & South Asia, Africa & Middle East, and Europe & America. Activities not directly related to a client segment and/or geographic region is included in Central & other items. This mainly includes Corporate Centre costs, Asset and Liability Management, treasury activities, certain strategic investments and the UK bank levy. The following should also be noted:

- Transactions and funding between the segments are carried out on an arm's-length basis
- Corporate Centre costs represent stewardship and central management services roles and activities that are not directly attributable to business or country operations
- Asset and Liability Management, joint ventures and associate investments are managed in the regions and are included within the applicable region. However, they are not managed directly by a client segment and therefore included in the Central & other items segment
- In addition to treasury activities, Corporate Centre costs and other Group related functions, Central & other items for regions includes globally run businesses or activities that are managed by the client segments but not directly by geographic management. These include Principal Finance and Portfolio Management
- The Group allocates central costs (excluding Corporate Centre costs) relating to client segments and geographic regions using appropriate business drivers and these are reported within operating expenses.

An analysis of the Group's performance by client segment and region is set out on pages 30 and 53.

Basis of preparation

The analysis reflects how the client segments and geographic regions are managed internally. This is described as the Management View and is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. In certain instances this approach is not appropriate and a Financial View is disclosed, that is, the location in which the transaction or balance was booked. Typically the Financial View is used in areas such as the Market and Liquidity Risk reviews where actual location is more important for an assessment. Segmental information is therefore on a Management View unless otherwise stated.

Restructuring items excluded from underlying results

Income, costs and impairment relating to identifiable business units, products or portfolios from the date that have been approved for restructuring, disposal, wind down or redundancy as a consequence of the Strategy Review announced 3 November 2015 are presented as restructuring and excluded from the underlying results of the Group. This includes realised and unrealised gains and losses from management's decisions to dispose of assets as well as residual income, direct costs and impairment of related legacy assets of those identifiable business units, products or portfolios.

Additional segmental information (statutory)

	2016					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & Other Items $million	Total $million
Net interest income	**3,051**	**2,977**	**782**	**287**	**697**	**7,794**
Other income	**3,437**	**1,692**	**511**	**209**	**417**	**6,266**
Operating income	**6,488**	**4,669**	**1,293**	**496**	**1,114**	**14,060**

	2015					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & Other Items $million	Total $million
Net interest income	3,991	3,218	924	297	977	9,407
Other income	2,327	1,889	681	237	748	5,882
Operating income	6,318	5,107	1,605	534	1,725	15,289

2. SEGMENTAL INFORMATION continued

	2016					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other Items $million	Total $million
Net interest income	2,684	2,485	1,566	744	315	7,794
Other income	2,698	1,557	1,171	911	(71)	6,266
Operating income	5,382	4,042	2,737	1,655	244	14,060

	2015					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other Items $million	Total $million
Net interest income	3,194	2,884	1,768	969	592	9,407
Other income	3,100	1,369	1,091	908	(586)	5,882
Operating income	6,294	4,253	2,859	1,877	6	15,289

	2016							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	1,375	586	505	817	680	392	451	179
Other income	1,959	295	187	683	275	357	331	482
Operating income	3,334	881	692	1,500	955	749	782	661

	2015							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	1,540	737	670	946	844	455	594	278
Other income	2,123	379	249	634	153	346	291	521
Operating income	3,663	1,116	919	1,580	997	801	885	799

3. NET INTEREST INCOME

Accounting policy

Interest income and expense on available-for-sale assets and financial assets and liabilities held at amortised cost, is recognised using the effective interest method.

Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instruments original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3. NET INTEREST INCOME continued

	2016 $million	2015 $million
Balances at central banks	213	238
Treasury bills	593	647
Loans and advances to banks	1,282	1,020
Loans and advances to customers	8,461	10,266
Listed debt securities	604	712
Unlisted debt securities	1,569	1,623
Accrued on impaired assets (discount unwind)	288	107
Interest income	**13,010**	14,613
Deposits by banks	494	396
Customer accounts	3,187	3,472
Debt securities in issue	700	773
Subordinated liabilities and other borrowed funds	835	565
Interest expense	**5,216**	5,206
Net interest income	**7,794**	9,407
Of which from financial instruments held at:		
Amortised cost	10,056	11,808
Available-for-sale	2,291	2,425
Fair value through profit or loss	663	380
Interest income	**13,010**	14,613
Of which from financial instruments held at:		
Amortised cost	5,107	5,073
Fair value through profit or loss	109	133
Interest expense	**5,216**	5,206
Net interest income	**7,794**	9,407

4. NET FEES AND COMMISSION

Accounting policy

Fees and commissions charged for services provided or received by the Group are recognised on an accrual basis when the service has been provided or significant act performed.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants.

The Group can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

	2016 $million	2015[1] $million
Fees and commissions income	3,671	4,088
Fees and commissions expense	(440)	(481)
Net fees and commission	**3,231**	3,607
Transaction Banking	1,194	1,302
Financial Markets	(62)	(73)
Corporate Finance	521	552
Wealth Management	1,089	1,210
Retail Products	464	557
Asset and Liability Management	(22)	(29)
Lending and Portfolio Management	50	66
Principal Finance	3	4
Others	(6)	18
Net fees and commission	**3,231**	3,607

1. The 2015 comparatives have been represented to reflect the reorganisation of the Group's client segments and products. Refer to note 1 for details

4. NET FEES AND COMMISSION continued

Total fee income arising from financial instruments that are not fair valued through profit or loss is $1,035 million (2015: $1,190 million) and arising from trust and other fiduciary activities of $115 million (2015: $156 million).

Total fee expense arising from financial instruments that are not fair valued through profit or loss is $56 million (2015: $40 million) and arising from trust and other fiduciary activities of $17 million (2015: $25 million).

5. NET TRADING INCOME

Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the income statement in the period in which they arise.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

Change in policy: In 2016 the Group early adopted the IFRS 9 *Financial Instruments* requirement to present own credit adjustments within other comprehensive income (rather than net trading income). IFRS 9 does not permit the prior year to be restated. Refer to note 1 for further details.

	2016 $million	2015 $million
Trading income[1]	1,886	417
Own credit adjustment[2]	–	495
	1,886	912

1. 2015 Trading income includes $863 million valuation losses relating to the change in the methodology of calculating the CVA and FVA (see note 13)
2. 2016 balance reported in other comprehensive income

Significant items within net trading income include:

- Gains of $2,106 million (2015: $760 million) on instruments held for trading
- Losses of $73 million (2015: $118 million) on financial assets designated at fair value through profit or loss and losses of $178 million (2015: $391 million) on financial liabilities designated at fair value

6. OTHER OPERATING INCOME

Accounting policy

Operating lease income is recognised on a straight line basis over the period of the lease unless another systematic basis is more appropriate.

Dividends on equity instruments are recognised when the Group's right to receive payment is established.

On disposal of available for sale financial instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense.

When the Group loses control of the subsidiary or disposal group, the difference between the consideration received and the carrying amount of the subsidiary or disposal group is recognised as a gain or loss on sale of the business.

	2016 $million	2015 $million
Other operating income includes:		
Rental income from operating lease assets	561	550
Gains less losses on disposal of financial instruments:	192	336
Available-for-sale	192	332
Loans and receivables	–	4
Net gain on sale of businesses	284	222
Dividend income	52	111
Other	60	144
	1,149	1,363

7. OPERATING EXPENSES

Accounting policy

Short-term employee benefits: salaries and social security expenses are recognised over the period in which the employees provide the service. Variable compensation is included within share-based payments costs and wages and salaries. Further details are disclosed in the Directors' remuneration report on pages 93 to 123.

Pension costs: contributions to defined contribution pension schemes are recognised in profit or loss when payable. For defined benefit plans net interest expense, service costs and expenses are recognised to the income statement. Further details are provided in note 29.

Share based compensation: the Group operates equity-settled and cash-settled share-based payment compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Further details are provided in note 30.

	2016 $million	2015 $million
Staff costs:		
Wages and salaries	4,713	4,924
Social security costs	145	154
Other pension costs (note 29)	316	299
Share-based payment costs (note 30)	100	146
Other staff costs	1,029	1,596
	6,303	7,119

Other staff costs include redundancy and other restructuring expenses of $236 million (2015: $695 million) due to the Strategic Review. Other costs include training, travel costs and other staff related costs.

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

	2016		
	Business	Support services	Total
At 31 December	43,286	43,407	86,693
Average for the year	42,605	42,311	84,916

	2015		
	Business	Support services	Total
At 31 December	42,036	42,040	84,076
Average for the year	45,207	42,111	87,318

The Company employed nil staff at 31 December 2016 (2015: nil) and it incurred costs of $3 million (2015: $4 million). Details of directors' pay and benefits and interests in shares are disclosed in the Directors' remuneration report on pages 93 to 123. Transactions with directors, officers and other related parties are disclosed in note 35.

	2016 $million	2015 $million
Premises and equipment expenses		
Rental of premises	400	433
Other premises and equipment costs	379	376
Rental of computers and equipment	18	22
	797	831
General administrative expenses		
UK bank levy[1]	383	440
Other general administrative expenses	1,989	2,119
	2,372	2,559
Depreciation and amortisation		
Property, plant and equipment (note 18):		
Premises	98	91
Equipment	84	88
Operating lease assets	271	258
	453	437
Intangibles (note 17):		
Software	272	205
Acquired intangibles	14	22
	739	664

1 The UK bank levy is applied on the chargeable equities and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2016 is the blended rate of 0.18 per cent for chargeable short-term liabilities, with a lower rate of 0.09 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). The rates will be gradually reduced over the next five years: from 1 January 2021, they 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 the UK operations only from that date

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER CREDIT RISK PROVISIONS

Accounting policy

Significant accounting estimates and judgements

The calculation of impairment involves key judgements to be made by the credit risk management team.

- For individually significant financial assets, Group Special Asset Management (GSAM) will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo-political climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/forbearance options
- The difference between the loan carrying amount and the discounted expected future cash flows will result in the impairment amount. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/ forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis
- For financial assets which are not individually significant, such as the Retail portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis. These techniques use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and selects the appropriate model or combination of models to use. Further judgement is required to determine overlays on the models (described below in Retail) with the aim of reasonable and supportable impairment allowance for the portfolio being provided

Objective evidence of impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments
- When a counterparty files for bankruptcy protection (or the local equivalent) and this would avoid or delay discharge of its obligation
- Where the Group files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation
- Where the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
- Where the Group sells a credit obligation at a material credit-related economic loss; or where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets

Assets at amortised cost

Corporate & Institutional Banking and Commercial Banking

The assessment of the credit risk of corporate and commercial loans is done by the Credit Risk department, based upon counterparty information they receive from various sources including relationship managers and on external market information.

Once a loan starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as Credit Grade (CG) 12, the credit assessment and oversight of the loan will normally be performed by Group Special Assets Management (GSAM).

Where GSAM's assessment indicates that a loan is impaired, GSAM will calculate an Individual Impairment Provision (IIP) based on estimated cash flows revised to reflect anticipated recoveries.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan and receivable or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less cost for obtaining and selling the collateral, whether or not foreclosure is probable.

Further details on collateral held by the Group are discussed in the Risk review and Capital review on page 162.

In cases where the impairment assessment indicates that there will be a loss of principal, the loan is graded a CG14 while other impaired loans will be graded CG13. Loans graded CG13-CG14 are classified as Non Performing Loans.

The performing loan portfolio is subject to a Portfolio Impairment Provision (PIP) to cover latent losses i.e. those that are not specifically identified but are known, by experience, to be present in any performing portfolio. The PIP is based on models using risk sizing (including probability of default and loss given default), environmental parameters and adjustment overlays. The calculation of the PIP uses regulatory expected credit loss (ECL) models; however as the regulatory ECL models are more punitive than the incurred loss model under IAS 39, adjustments are made to align the calculation with IFRS.

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER CREDIT RISK PROVISIONS continued

Retail Banking

An Individual Impairment Provision (IIP) is recognised for Retail Banking when an account meets a defined threshold condition in terms of overdue payments ('contractual impairment') or meets other objective conditions as described above in the assessment factors. The threshold conditions are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations or a loss of principal is expected.

A credit obligation in Retail Banking clients portfolio that is more than 150 Days Past Due (DPD) or, a credit obligation secured by Wealth Management products that is 90 Days Past Due, is recognized as 'impaired' and IIP is provided for accordingly. In addition, the credit account is recognised as 'impaired' immediately if the borrower files for bankruptcy or other equivalent forbearance programme, or the borrower is deceased, or the business is closed in case of small business clients, or the borrower's other credit accounts with Standard Chartered Bank are impaired.

Retail Banking PIP is computed on performing loans (no contractual impairment), using Expected Loss (EL) rates, to determine latent losses in the portfolio (the EL utilises probability of default and loss given default inherent within the portfolio of impaired loans or receivables and the historical loss experience for assets with credit risk characteristics similar to those in the Group). For defaulted yet non-impaired accounts (greater than 90 days past due) full EL is used, while for non-defaulted accounts, a three-month emergence period is applied. An adjustment is added to PIP calculation to take into the account instances where the EL-based PIP is deemed imprecise due to under-prediction or over-prediction of EL by underlying models. An overlay in the form of Special Risk adjustment (SRA) is added to the EL-based PIP calculation to take into account instances where EL-based PIP is deemed insufficient to incorporate the impact of a specific credit event. An overlay in the form of Business Cycle Adjustment (BCA) is taken to account for the impact of cyclical volatility in operating environment, which is not adequately covered in the underlying models.

Write-off and reversal of impairment

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement during the period.

Forborne loans

A forborne loan is where a concession has been made to the contractual terms of a loan in response to a customer's financial difficulties.

In certain circumstances, the Group may renegotiate client loans. Loans that are renegotiated for commercial reasons, such as when a client had a credit rating upgrade, are not included as part of forborne loans because they are not indicative of any credit stress or event.

Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third party (including government-sponsored programmes or a conglomerate of credit institutions) and includes debt restructuring such as a new repayment schedule, payment deferrals, tenor extensions and interest only payments.

Loans that are renegotiated on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans, are considered for impairment. If the terms of the renegotiation are such that, where the present value of the new cash flows is lower than the present value of the original cash flows, the loan would be considered to be impaired and, at a minimum, a discount provision would be raised and the loan is disclosed as 'Loans subject to forbearance – impaired', which is a sub set of impaired loans. All other loans that have been subject to a forbearance contract amendment, but which are not considered impaired (not classified as CG 13 or 14), are classified as ''Forborne – not impaired' (previously disclosed as 'other renegotiated loans').

If a loan enters the forbearance process and the terms are substantially modified, the original loan will be derecognised, and a new loan will be recognised. Once a loan is subject to forbearance, the loan continues to be reported as such, until the loan is repaid or written off.

For Retail Banking clients, all forborne loans are managed within a separate portfolio. If such loans subsequently become past due, charge-off and IIP is accelerated to 90 days past due for unsecured loans and automobile finance or 120 days past due for secured loans. The accelerated loss rates applied to this portfolio are derived from experience with other forborne loans, rather than the Retail Banking clients portfolio as a whole, to recognise the greater degree of inherent risk.

For Corporate & Institutional Banking, Commercial Banking and Private Banking clients, forbearance is applied on a case-by-case basis and is not subject to business-wide programmes. In some cases, the asset is derecognised and a new loan is granted as part of the restructure. In others, the contractual terms and repayment of the existing loans are changed or extended (for example, interest only for a period). Loans classified as subject to forbearance are managed by GSAM and are kept under close review to assess the client's ability to adhere to the restructured repayment strategy and to identify any events that could result in a deterioration in the client's ability to repay.

Forborne loans are disclosed by client segments on pages 153 to 155.

Further details on the application of these policies are set out in the Risk review on page 155.

8. IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER CREDIT RISK PROVISIONS continued

The following table reconciles the charge for impairment provisions on financial assets to the total impairment charge and other credit risk provision.

	2016 $million	2015 $million
Net charge against profit on loans and advances:		
Individual impairment charge	**2,553**	4,820
Portfolio impairment charge/(release)	**52**	(4)
	2,605	4,816
Impairment charges related to credit commitments	**45**	94
Impairment charges relating to debt securities classified as loans and receivables	**97**	66
Impairment charges relating to credit risk mitigation instruments	**44**	–
Total impairment losses and other credit risk provisions on loans and advances	**2,791**	4,976

Impairment charges relating to credit risk mitigation instruments

The Group executed funded credit mitigation transactions related to the Liquidation Portfolio, which did not achieve derecognition and are recorded as liabilities on an amortised cost basis. The liability balances are adjusted for revisions to the impairment estimates for the loans referenced in the transactions. Both impairment losses on the referenced loans and the related impairment on these credit mitigation transactions are recorded in total impairment losses and other credit risk provisions on loans and advances.

An analysis of impairment provisions on loans and advances by client segment is set out within the Risk review on page 161.

9. OTHER IMPAIRMENT

Accounting policy

Available-for-sale assets

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is reclassified from equity and recognised in the income statement.

Available-for-sale debt securities are assessed for impairment in the same way as assets carried at amortised cost (see note 8 – Objective evidence of impairment, for impairment 'trigger' events).

Further the extent, observability and depth of market price decreases and collateral rights are considered when assessing objective evidence of listed impairment for available-for-sale instruments.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement.

For equity securities, a significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors, in assessing objective evidence of impairment. In assessing significance, the decline in fair value is evaluated against the original fair value of the asset upon recognition.

In assessing prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its initial recognition amount. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Refer to the below referenced notes for the remaining relevant accounting policy.

	2016 $million	2015 $million
Impairment of goodwill (note 17)	**166**	488
Other impairment		
Impairment of fixed assets (note 18)	**131**	149
Impairment losses on available-for-sale financial assets (note 13):		
– Debt securities	**54**	5
– Equity shares	**246**	142
Impairment of investment in associates (note 31)	**–**	46
Impairment of acquired intangible assets (note 17)	**–**	1
Other	**15**	42
Recovery of impairment on disposal of instruments[1]	**–**	(18)
	446	367
Total other impairment	**612**	855

1. Relates to private equity instruments sold that had impairment provisions raised against them in prior years

10. TAXATION

Accounting policy

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date, and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where permitted deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

Significant accounting estimates and judgements

- Determining the Group's tax charge for the year involves estimation and judgement on the potential outcome, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Group's view on settling with tax authorities
- The Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable
- The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised

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

	2016 $million	2015 $million
The charge for taxation based upon the profit/(loss) for the year comprises:		
Current tax:		
UK corporation tax at 20.0 per cent (2015: 20.25 per cent):		
Current tax charge/(credit) on income for the year	**10**	(15)
Adjustments in respect of prior years (including double taxation relief)	**(74)**	57
Double taxation relief	**–**	(4)
Foreign tax:		
Current tax charge on income for the year	**786**	1,084
Adjustments in respect of prior years	**84**	49
	806	1,171
Deferred tax:		
Origination/reversal of temporary differences	**(136)**	(526)
Adjustments in respect of prior years	**(70)**	28
	(206)	(498)
Tax on profit/(loss) on ordinary activities	**600**	673
Effective tax rate	**nm[1]**	nm[1]

1. Not meaningful

Foreign taxation includes current taxation on Hong Kong profits of $109 million (31 December 2015: $131 million) on the profits assessable in Hong Kong.

Deferred taxation includes origination or reversal of temporary differences in Hong Kong profits of $(4) million (2015: $(12) million) provided at a rate of 16.5 per cent (2015: 16.5 per cent) on the profits assessable to Hong Kong.

The tax charge for the year of $600 million (2015: $673 million) on a profit before taxation of $409 million (2015: loss before taxation of $1,523 million) reflects the impact of deferred tax assets not recognised relating to UK tax losses, non-deductible expenses and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India. In addition, the impact of non-taxable losses on investments increased due to losses on Principal Finance investments.

10. TAXATION continued

Taxation rate: The taxation charge for the year is higher than the charge at the rate of corporation tax in the UK, 20.0 per cent. The differences are explained below:

	2016 $million	2015 $million
Profit/(loss) on ordinary activities before taxation	409	(1,523)
Tax at 20.0 per cent (2015: 20.25 per cent)	82	(308)
Lower tax rates on overseas earnings	(5)	(42)
Higher tax rates on overseas earnings	269	230
Tax free income	(117)	(131)
Share of associates and joint ventures	13	(30)
Non-deductible expenses	201	201
Bank levy	77	89
Non-taxable losses on investments	120	36
Non-taxable gains on disposals of businesses	(41)	(44)
Goodwill impairment	33	99
Deferred tax not recognised	93	314
Adjustments to tax charge in respect of prior years	(60)	134
Other items	(65)	125
Tax on profit/(loss) on ordinary activities	600	673

Factors affecting the tax charge in future years: The Group's tax charge, and effective tax rate in future years could be affected by several factors including acquisitions, disposals and restructuring of our businesses, the mix of profits across jurisdictions with different statutory tax rates, changes in tax legislation and tax rates and resolution of uncertain tax positions.

The Group does not currently consider that assumptions made in assessing tax liabilities have a significant risk of resulting in a material adjustment within the next financial year.

	2016			2015		
	Current tax $million	Deferred tax $million	Total $million	Current tax $million	Deferred tax $million	Total $million
Tax recognised in other comprehensive income						
Available-for-sale assets	10	(1)	9	2	58	60
Cash flow hedges	–	(17)	(17)	–	(25)	(25)
Own credit adjustment	29	1	30	–	–	–
Retirement benefit obligations	–	2	2	–	(10)	(10)
	39	(15)	24	2	23	25
Other tax recognised in equity – share-based payments	–	–	–	–	(6)	(6)
Total tax credit/(charge) recognised in equity	39	(15)	24	2	17	19

	2016 $million	2015 $million
Current tax assets	388	362
Current tax liabilities	(769)	(891)
Net current tax balance as at 1 January	(381)	(529)
Movements in income statement	(806)	(1,171)
Movements in other comprehensive income	39	2
Taxes paid	1,287	1,285
Other movements	8	32
Net current tax balance as at 31 December	147	(381)
Current tax assets	474	388
Current tax liabilities	(327)	(769)
Total	147	(381)

10. TAXATION continued

Deferred tax: The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

	At 1 January 2016 $million	Exchange and other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	As at 31 December 2016 $million
Deferred taxation comprises:					
Accelerated tax depreciation	**(319)**	**7**	**(87)**	**–**	**(399)**
Impairment provisions on loans and advances	**767**	**(22)**	**189**	**–**	**934**
Tax losses carried forward	**396**	**1**	**(1)**	**–**	**396**
Available-for-sale assets	**(29)**	**1**	**2**	**(1)**	**(27)**
Cash flow hedges	**2**	**1**	**19**	**(17)**	**5**
Retirement benefit obligations	**71**	**2**	**1**	**2**	**76**
Share-based payments	**26**	**–**	**(10)**	**–**	**16**
Other temporary differences	**(148)**	**(6)**	**93**	**1**	**(60)**
Net deferred tax assets	**766**	**(16)**	**206**	**(15)**	**941**

	At 1 January 2015 $million	Exchange and other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	As at 31 December 2015 $million
Deferred taxation comprises:					
Accelerated tax depreciation	(289)	7	(37)	–	(319)
Impairment provisions on loans and advances	314	(21)	474	–	767
Tax losses carried forward	325	(9)	80	–	396
Available-for-sale assets	(92)	3	2	58	(29)
Cash flow hedges	29	(2)	–	(25)	2
Retirement benefit obligations	79	(2)	4	(10)	71
Share-based payments	42	(2)	(8)	(6)	26
Other temporary differences	(136)	5	(17)	–	(148)
Net deferred tax assets	272	(21)	498	17	766

Deferred taxation comprises assets and liabilities as follows.

	2016			2015		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million
Deferred taxation comprises:						
Accelerated tax depreciation	**(399)**	**13**	**(412)**	(319)	18	(337)
Impairment provisions on loans and advances	**934**	**914**	**20**	767	765	2
Tax losses carried forward	**396**	**217**	**179**	396	253	143
Available-for-sale assets	**(27)**	**(10)**	**(17)**	(29)	(9)	(20)
Cash flow hedges	**5**	**–**	**5**	2	–	2
Retirement benefit obligations	**76**	**76**	**0**	71	59	12
Share-based payments	**16**	**16**	**0**	26	22	4
Other temporary differences	**(60)**	**68**	**(128)**	(148)	(49)	(99)
	941	**1,294**	**(353)**	766	1,059	(293)

At 31 December 2016, the Group has net deferred tax assets of $941 million (2015: $766 million). The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Group's total deferred tax assets, $396 million relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

- $177 million of the deferred tax assets relating to losses has arisen in Ireland, where there is no expiry date for unused tax losses. These losses relate to aircraft leasing and are expected to be fully utilised over the useful economical life of the assets being up to 18 years
- $42 million of the deferred tax assets relating to losses has arisen in Korea. Management forecasts show that $13 million of the deferred tax asset relating to losses are expected to be fully utilised over a period of three years. These tax losses expire after 10 years. There is a defined profit stream against which the remaining $29 million of deferred tax assets relating to losses which have no expiry date, are forecast to be utilised
- $83 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of nine years. The tax losses expire after 20 years
- $31 million of the deferred tax assets relating to losses has arisen in Taiwan. Management forecasts show that the losses are expected to be fully utilised over a period of four years. The tax losses expire after 10 years

10. TAXATION continued

The remaining deferred tax assets relating to losses has arisen in other jurisdictions and is expected to be recovered in less than 10 years

	2016 $million	2015 $million
No account has been taken of the following potential deferred taxation (liabilities)/assets:		
Withholding tax on unremitted earnings from overseas subsidiaries and branches	**(333)**	(237)
Foreign exchange movements on investments in branches	**(263)**	(241)
Tax losses[1]	**1,197**	499
Held over gains on incorporation of overseas branches	**(417)**	(468)
Other temporary differences	**53**	38

1. During the period a tax ruling in Korea allowed for the offset of previously expired losses. The potential deferred tax asset in relation to these losses is $775 million

11. DIVIDENDS

Accounting policy

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the year in which they are declared.

In determining if dividends are distributed, and the level of dividends declared, the Board considers a number of factors which include but are not limited to:

- The amount of distributable reserves (see note 27)
- The capital requirements of the Group (see Capital ratios on page 183)
- The level of cash investment projections to achieve the Group's strategy

Ordinary equity shares

	2016		2015	
	Cents per share	$million	Cents per share	$million
2015/2014 final dividend declared and paid during the year	–	–	54.44	1,412
2016/2015 interim dividend declared and paid during the year	–	–	13.71	366
		–		1,778

Preference shares and Additional Tier 1 securities

Dividends on these preference shares and securities classified as equity are recorded in the year in which they are declared.

		2016 $million	2015 $million
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of $5 each	**53**	53
	6.409 per cent preference shares of $5 each	**48**	48
		101	101
Additional Tier 1 securities: $2 billion fixed rate resetting perpetual subordinated contingent convertible securities		**130**	65
		231	166
Dividends on these preference shares are treated as interest expense and accrued accordingly.			
Non-cumulative irredeemable preference shares:	7$^{3}/_{8}$ per cent preference shares of £1 each	**10**	11
	8$^{1}/_{4}$ per cent preference shares of £1 each	**11**	13
		21	24

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2016 and 2015. Dividends on ordinary equity shares are recorded in the year 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.

12. EARNINGS PER ORDINARY SHARE

Accounting policy

The Group measures earnings per share on an underlying basis. This differs from earnings defined in IAS 33 *Earnings per share*. Underlying earnings is profit/(loss) attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.

The table below provides the basis of underlying earnings.

	2016 $million	2015 $million
Loss for the year attributable to equity holders	**(191)**	(2,196)
Non-controlling interest	**(56)**	2
Dividends payable on preference shares and AT1 classified as equity	**(231)**	(166)
Loss for the year attributable to ordinary shareholders	**(478)**	(2,360)
Items normalised:		
Restructuring	**855**	1,845
Gains arising on repurchase of subordinated liabilities	**(84)**	–
Goodwill impairment (Included within Other impairment)	**166**	362
Net gain on business disposed/held for sale (Included within Other operating income)	**(253)**	(218)
Other items	**–**	13
Tax on normalised items (included within Taxation)[1]	**(95)**	(179)
Credit and funding valuation methodology adjustment (included within Net trading income)	**–**	863
Own credit adjustment (included within net trading income)	**–**	(495)
Underlying profit/(loss)	**111**	(169)
Basic – Weighted average number of shares (millions)	**3,291**	2,568
Diluted – Weighted average number of shares (millions)	**3,305**	2,568
Basic loss per ordinary share (cents)	**(14.5)**	(91.9)
Diluted loss per ordinary share (cents)[2]	**(14.5)**	(91.9)
Underlying basic earnings/(loss) per ordinary share (cents)	**3.4**	(6.6)
Underlying diluted earnings/(loss) per ordinary share (cents)	**3.4**	(6.6)

1. No tax is included in respect of the impairment of goodwill as no tax relief is available
2. The impact of any diluted options has been excluded from this amount as required by IAS 33 Earnings per share

13. FINANCIAL INSTRUMENTS

Classification and measurement

Accounting policy

The Group classifies its financial assets into the following measurement categories: financial assets held at fair value through profit or loss; loans and receivables; held-to-maturity; or available-for-sale.

Financial liabilities are classified as either held at fair value through profit or loss or at amortised cost.

Management determines the classification of its financial assets and liabilities at initial recognition.

The following details the approach for the categories:

a) Financial assets and liabilities held at fair value through profit or loss: This category has two sub-categories:

- Financial assets and liabilities held for trading. A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short term, or forms part of a portfolio of financial instruments which are managed together and for which there is evidence of short-term profit taking or is a derivative (excluding qualifying hedging relationships)
- Designated at fair value through profit or loss. Financial assets and liabilities may be designated at fair value through profit or loss when:
  - The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis (for example, the Group may designate certain fixed rate loans and receivables that are managed with derivative interest rate swaps)
  - A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis (for example, the Group may designate issued debt to fund a portfolio of trading assets and liabilities that are all managed on a fair value basis)
  - The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately

b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that apart from credit deterioration substantially all of the initial investment will be recovered.

13. FINANCIAL INSTRUMENTS continued

c) Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity.

d) Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

e) Financial liabilities held at amortised cost. Financial liabilities, which include borrowings not classified as held at fair value through profit or loss, are classified as amortised cost instruments. Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholders, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

A financial guarantee issued is a special case of financial liability. Under a financial guarantee contract the Group, in return for a fee, undertakes to meet customer's obligations under the terms of a debt instrument if the customer fails to do so. A financial guarantee is recognised as a liability; initially at fair value and, if not designated as at fair value through profit or loss, subsequently at the higher of its initial value less cumulative amortisation and any provision under the contract measured in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. Amortisation is calculated so as to recognise fees receivable in profit or loss over the period of the guarantee.

Initial recognition of financial instruments
All financial instruments are initially recognised at fair value, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit or loss, directly attributable transaction costs.

In certain circumstances the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated.

Regular way purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as held-to-maturity and available-for-sale, are initially recognised on the trade date (the date on which the Group commits to purchase or sell the asset). Regular way loans are recognised on settlement date when cash is advanced to the borrowers.

Subsequent measurement
Financial assets and liabilities held at fair value through profit or loss are carried at fair value, with gains and losses arising from changes in fair value taken directly to the net trading income line in the income statement, except for changes in fair value on financial liabilities designated at fair value attributable to the Group's own credit presented directly within other comprehensive income.

Available-for-sale financial assets are carried at fair value, with gains and losses arising from changes in fair value taken to the available-for-sale reserve within equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the income statement.

Loans and receivables are carried at amortised cost using the effective interest method.

Held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Financial liabilities are stated at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

In addition to these instruments, the carrying value of a financial instrument carried at amortised cost that is the hedged item in a qualifying fair value hedge relationship is adjusted by the fair value gain or loss attributable to the hedged risk.

Reclassification of financial instruments:
Reclassifications of financial assets or financial liabilities between measurement categories are not permitted following initial recognition, other than:

- Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity
- Financial assets can only be transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity

13. FINANCIAL INSTRUMENTS continued

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

		Assets at fair value				Assets at amortised cost			
Assets	Notes	**Trading $million**	**Derivatives held for hedging $million**	**Designated at fair value through profit or loss $million**	**Available-for-sale $million**	**Loans and receivables $million**	**Held-to-maturity $million**	**Non-financial assets $million**	**Total $million**
Cash and balances at central banks		–	–	–	–	70,706	–	–	70,706
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		267	–	1,793	–	–	–	–	2,060
Loans and advances to customers[1]		936	–	2,241	–	–	–	–	3,177
Debt securities	13	12,025	–	354	–	–	–	–	12,379
Equity shares	13	425	–	751	–	–	–	–	1,176
Treasury bills	13	1,285	–	–	–	–	–	–	1,285
		14,938	–	5,139	–	–	–	–	20,077
Derivative financial instruments	14	64,433	1,076	–	–	–	–	–	65,509
Loans and advances to banks[1]	16	–	–	–	–	72,609	–	–	72,609
Loans and advances to customers[1]	16	–	–	–	–	252,719	–	–	252,719
Investment securities									
Debt securities	15	–	–	–	69,204	3,106	170	–	72,480
Equity shares	15	–	–	–	1,388	–	–	–	1,388
Treasury bills	15	–	–	–	35,104	–	–	–	35,104
		–	–	–	105,696	3,106	170	–	108,972
Other assets	20	–	–	–	–	33,942	–	2,998	36,940
Assets held for sale	20	–	–	–	–	1,102	–	152	1,254
Total at 31 December 2016		79,371	1,076	5,139	105,696	434,184	170	3,150	628,786

1. Further analysed in Risk review on pages 150 to 168

		Assets at fair value				Assets at amortised cost			
Assets	Notes	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Loans and receivables $million	Held-to-maturity $million	Non-financial assets $million	Total $million
Cash and balances at central banks		–	–	–	–	65,312	–	–	65,312
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		92	–	2,183	–	–	–	–	2,275
Loans and advances to customers[1]		3,008	–	1,039	–	–	–	–	4,047
Debt securities	13	12,896	–	389	–	–	–	–	13,285
Equity shares	13	2,237	–	698	–	–	–	–	2,935
Treasury bills	13	859	–	–	–	–	–	–	859
		19,092	–	4,309	–	–	–	–	23,401
Derivative financial instruments	14	61,812	1,331	–	–	–	–	–	63,143
Loans and advances to banks[1]	16	–	–	–	–	64,494	–	–	64,494
Loans and advances to customers[1]	16	–	–	–	–	257,356	–	–	257,356
Investment securities									
Debt securities	15	–	–	–	77,684	2,700	210	–	80,594
Equity shares	15	–	–	–	1,720	–	–	–	1,720
Treasury bills	15	–	–	–	32,453	–	–	–	32,453
		–	–	–	111,857	2,700	210	–	114,767
Other assets	20	–	–	–	–	32,408	–	1,844	34,252
Assets held for sale[2]	20	–	–	–	–	–	–	349	349
Total at 31 December 2015		80,904	1,331	4,309	111,857	422,270	210	2,193	623,074

1. Further analysed in Risk review on pages 150 to 168
2. Previously included within Other assets
3. $1.9 billion of Loans and advances to banks presented as 'Trading' in 2015 has been re-categorised to 'Designated at fair value through profit or loss. These loans were designated at inception as fair value through profit or loss and have always been measured at fair value. There is no change in measurement or classification on the balance sheet. There was no impact to the relevant income statement disclosures

13. FINANCIAL INSTRUMENTS continued

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	718	–	–	718
Customer accounts		–	–	6,447	–	–	6,447
Debt securities in issue	21	–	–	5,670	–	–	5,670
Short positions		3,763	–	–	–	–	3,763
		3,763	–	12,835	–	–	16,598
Derivative financial instruments	14	62,917	2,795	–	–	–	65,712
Deposits by banks		–	–	–	36,894	–	36,894
Customer accounts		–	–	–	371,855	–	371,855
Debt securities in issue	21	–	–	–	46,700	–	46,700
Other liabilities	22	–	–	–	32,958	188	33,146
Subordinated liabilities and other borrowed funds	26	–	–	–	19,523	–	19,523
Liabilities included in disposal groups held for sale	22	–	–	–	958	7	965
Total at 31 December 2016		66,680	2,795	12,835	508,888	195	591,393

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	637	–	–	637
Customer accounts		–	–	8,494	–	–	8,494
Debt securities in issue	21	–	–	8,917	–	–	8,917
Short positions		2,824	–	–	–	–	2,824
		2,824	–	18,048	–	–	20,872
Derivative financial instruments	14	59,390	2,549	–	–	–	61,939
Deposits by banks		–	–	–	37,611	–	37,611
Customer accounts		–	–	–	350,633	–	350,633
Debt securities in issue	21	–	–	–	59,880	–	59,880
Other liabilities	22	–	–	–	31,525	414	31,939
Subordinated liabilities and other borrowed funds	26	–	–	–	21,852	–	21,852
Liabilities included in disposal groups held for sale[1]	22	–	–	–	–	72	72
Total at 31 December 2015		62,214	2,549	18,048	501,501	486	584,798

1. Previously included within Other liabilities

13. FINANCIAL INSTRUMENTS continued

Debt securities, equity shares and treasury bills held at fair value through profit or loss

	2016			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	7,343			
Other public sector securities	77			
	7,420			
Issued by banks:				
Certificates of deposit	406			
Other debt securities	1,546			
	1,952			
Issued by corporate entities and other issuers:				
Other debt securities	3,007			
Total debt securities	12,379			
Of which:				
Listed on a recognised UK exchange	164	–	–	164
Listed elsewhere	7,595	44	504	8,143
Unlisted	4,620	1,132	781	6,533
	12,379	1,176	1,285	14,840
Market value of listed securities	7,759	44	504	8,307

	2015			
	Debt Securities $million	Equity Shares $million	Treasury bills $million	Total $million
Issued by public bodies:				
Government securities	8,091			
Other public sector securities	88			
	8,179			
Issued by banks:				
Certificates of deposit	87			
Other debt securities	1,327			
	1,414			
Issued by corporate entities and other issuers:				
Other debt securities	3,692			
Total debt securities	13,285			
Of which:				
Listed on a recognised UK exchange	116	–	–	116
Listed elsewhere	8,516	1,648	282	10,446
Unlisted	4,653	1,287	577	6,517
	13,285	2,935	859	17,079
Market value of listed securities	8,632	1,648	282	10,562

Reclassification of financial assets

In 2008, the Group reclassified certain eligible financial assets from trading and available for sale, to loans and receivables where the Group had the intent and ability to hold the reclassified assets for the foreseeable future or until maturity. This reclassification was made possible through the circumstances of the credit crisis in financial markets which significantly impacted the liquidity in certain markets. The carrying value and fair value of securities reclassified into loans and receivables is $79 million (2015: $123 million) and $80 million (2015: $120 million) respectively. If the reclassifications had not been made, the Group's income statement for 2016 would have included a net gain on the reclassified trading assets of $1 million (2015: gain of $1 million). There have been no reclassifications since 2008.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In practice, for credit mitigation, the Group is able to offset assets and liabilities which do not meet the IAS 32 netting criteria set out above. Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repurchase and reverse repurchase transactions. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset but only in the event of default or other predetermined events.

In addition the Group also receives and pledges readily realisable collateral for derivative transactions to cover net exposure in the event of a default. Under repurchase and reverse repurchase agreements the Group pledges (legally sells) and obtains (legally purchases) respectively, highly liquid assets which can be sold in the event of a default.

13. FINANCIAL INSTRUMENTS continued

The following tables set out the impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

2016	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Related amount not offset in the balance sheet: Financial instruments $million	Related amount not offset in the balance sheet: Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	**73,822**	**(8,313)**	**65,509**	**(40,391)**	**(9,624)**	**15,494**
Reverse repurchase agreements	**42,389**	**–**	**42,389**	**–**	**(42,389)**	**–**
As at 31 December 2016	**116,211**	**(8,313)**	**107,898**	**(40,391)**	**(52,013)**	**15,494**
Liabilities						
Derivative financial instruments	**74,025**	**(8,313)**	**65,712**	**(40,391)**	**(14,230)**	**11,091**
Sale and repurchase liabilities	**37,692**	**–**	**37,692**	**–**	**(37,692)**	**–**
As at 31 December 2016	**111,717**	**(8,313)**	**103,404**	**(40,391)**	**(51,922)**	**11,091**

2015	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Related amount not offset in the balance sheet: Financial instruments $million	Related amount not offset in the balance sheet: Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	69,872	(6,729)	63,143	(38,934)	(10,074)	14,135
Reverse repurchase agreements	32,637	–	32,637	–	(32,637)	–
As at 31 December 2015	102,509	(6,729)	95,780	(38,934)	(42,711)	14,135
Liabilities						
Derivative financial instruments	68,668	(6,729)	61,939	(38,934)	(13,430)	9,575
Sale and repurchase liabilities	20,606	–	20,606	–	(20,606)	–
As at 31 December 2015	89,274	(6,729)	82,545	(38,934)	(34,036)	9,575

Related amounts not offset in the balance sheet comprise:

- Financial instruments not offset in the balance sheet, but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation
- Financial collateral – this comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repo and repo agreements respectively and excludes the effect of over-collateralisation

Loans and advances designated at fair value through profit or loss

The maximum exposure to credit risk for loans designated at fair value through profit or loss was $4,034 million (2015: $3,222 million). The net fair value gain on loans and advances to customers designated at fair value through profit or loss was $17 million (2015: $2 million). Of this, $1 million (2015: $ nil million) relates to changes in credit risk. The cumulative fair value movement relating to changes in credit risk was $2 million (2015: $3 million). Further details of the Group's valuation technique is described on page 227.

Financial liabilities designated at fair value through profit or loss

	2016 $million	2015 $million
Carrying balance aggregate fair value	**12,835**	18,048
Amount contractually obliged to repay at maturity	**12,941**	18,404
Difference between aggregate fair value and contractually obliged to repay at maturity	**(106)**	(356)
Cumulative change in FV accredited to credit risk difference[1]	**331**	703

1. The Group has early adopted IFRS 9 Financial Instruments to present own credit adjustments within other comprehensive income

The net fair value loss on financial liabilities designated at fair value through profit or loss was $178 million for the year (2015: net gain of $104 million). The amount includes $nil million (2015: gain of $495 million) related to change in credit risk.

Further details of the Group's own credit adjustment (OCA) valuation technique is described on page 229.

13. FINANCIAL INSTRUMENTS continued

Valuation of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in the absence of this, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects the Group's non-performance risk. The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risks or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use nonmarket observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the instruments held by the Group.

The Valuation Control function is responsible for independent price verification, oversight of fair value adjustments and escalation of valuation issues. Independent price verification is the process of determining the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Control function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification may include those sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Control performs a semi-annual review of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

Formal committees for the business clusters, consisting of representatives from Group Market Risk, Product Control, Valuation Control and the business meet monthly to discuss and approve the valuations of the inventory. The Principal Finance valuation committee meetings are held on a quarterly basis. The business cluster valuation committees fall under the Valuation Benchmarks Committee (VBC) as part the of the valuation governance structure.

Significant accounting estimates and judgements

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments are determined using valuation techniques (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value (see page 229)
- In determining the valuation of financial instruments, the Group makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments (see page 230)
- Where the measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs

Valuation techniques

Refer to page 230 for an explanation of the Fair value hierarchy – Levels 1, 2 and 3.

- **Financial instruments held at fair value**
  - **Loans and advances:** These include loans in the global syndications business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets. These loans are generally bilateral in nature and, where available, their valuation is based on market observable credit spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector, and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3.
  - **Debt securities – asset backed securities:** Asset backed securities are priced based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings. Therefore, once external pricing has been verified, an assessment is made whether each security is traded with significant liquidity based on its credit rating and sector. If a security is of high credit rating and is traded in a liquid sector, it will be classified as Level 2, otherwise it will be classified as Level 3.

13. FINANCIAL INSTRUMENTS continued

- **Other debt securities:** These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets
- **Equity shares – private equity:** The majority of private equity unlisted investments are valued based on earning multiples – Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternate valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or level 3 inputs, may be applied. Even though earnings multiples for the comparable listed companies can be sourced from third party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, OTC prices) are classified as Level 3 on the basis that the valuation methods involve judgments ranging from determining comparable companies to discount rates where the discounted cash flow method is applied
- **Derivatives:** Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data
- **Debt securities in issue:** These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuation of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets

- **Financial instruments held at amortised cost**

The following sets out the Group's basis of establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not traded, there is a significant level of management judgement involved in calculating the fair values

- **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
- **Loans and advances to banks and customers:** For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and, where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using inputs proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or inputs proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relate to asset backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows. The Group has a wide range of individual investments within the unlisted debt securities portfolio. Given the number of instruments involved, providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material
- **Deposits and borrowings:** The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity. Following the adoption of IFRS 13 the Group also adjusts the fair value of deposits and borrowings for own credit adjustment using the principles described above
- **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity

13. FINANCIAL INSTRUMENTS continued

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments in determining fair value for financial assets and financial liabilities are as follows:

Valuation adjustments	2016 $million	2015 $million
Bid-offer	106	72
Credit[1]	443	815
Own credit	331	703
Model	6	13
Funding	248	366
Others (including day one)	132	169
Total	1,266	2,138

1. Includes debit valuation adjustments on derivatives

- **Bid-offer valuation adjustment:** Where market parameters are marked on a mid market basis in the revaluation systems, a bid offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems
- **Credit valuation adjustment (CVA):** The Group makes CVA adjustments 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

  In 2015 the Group enhanced its methodology for estimating the CVA for derivatives. Prior to 2015 the CVA was based on an expected counterparty loss calculation using historical default probabilities whereas the enhanced methodology uses market-implied default probabilities. In addition, the funding valuation adjustment (FVA) was also enhanced moving from bank internal funding rates to market-based rates. The net effect of the changes in estimates in 2015 was to reduce net trading income by $863 million
- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments to reflect changes in its own credit standing. The Group's DVA adjustments are calculated on its derivative liabilities. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's DVA adjustments will reverse over time as its derivatives mature. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on internally assessed credit ratings and market standard recovery levels. The expected exposure is modelled based on simulation methodology and is generated through simulation of underlying risk factors over the life of the deal booked against the particular counterparty. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements. The methodology used to determine a DVA adjustment on derivative liabilities is consistent with the methodology used to determine CVA on derivative assets
- **Own credit adjustment (OCA):** The Group calculates OCA adjustments to reflect changes in its own credit standing. The Group's OCA adjustments are calculated on its issued debt designated at fair value, including structured notes. The Group's OCA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA adjustments will reverse over time as its liabilities mature. For issued debt and structured notes designated at fair value, an OCA adjustment is determined by discounting the contractual cash flows using a yield curve adjusted for market observed secondary senior debt issuance spreads above average interbank rates

  In December 2016, the Group refined its calculation of OCA by incorporating a more accurate calculation of the expected maturity of callable structured notes. This calculation change is treated as a change in estimate and resulted in a decrease in the OCA balance of $141 million
- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- **Funding valuation adjustment (FVA):** The Group makes FVA adjustments 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
- **Day one profit or loss**: In certain circumstances the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated

13. FINANCIAL INSTRUMENTS continued

Fair value hierarchy – Financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- **Level 1:** Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- **Level 2:** Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- **Level 3:** Fair value measurements are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,060	–	2,060
Loans and advances to customers	–	2,998	179	3,177
Treasury bills	795	490	–	1,285
Debt securities	3,454	8,921	4	12,379
Of which:				
Government bonds	3,249	3,752	–	7,001
Issued by corporates other than financial institutions	77	2,467	3	2,547
Issued by financial institutions	128	2,702	1	2,831
Equity shares	181	–	995	1,176
Derivative financial instruments	513	64,636	360	65,509
Of which:				
Foreign exchange	52	53,706	324	54,082
Interest rate	14	9,858	6	9,878
Commodity	447	879	–	1,326
Credit	–	171	–	171
Equity and stock index	–	22	30	52
Investment securities				
Treasury bills	29,602	5,367	135	35,104
Debt securities	28,945	40,195	64	69,204
Of which:				
Government bonds	17,400	9,124	38	26,562
Issued by corporates other than financial institutions	6,928	7,741	24	14,693
Issued by financial institutions	4,617	23,330	2	27,949
Equity shares	798	41	549	1,388
Total as at 31 December 2016	64,288	124,708	2,286	191,282
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	718	–	718
Customer accounts	–	6,447	–	6,447
Debt securities in issue	–	5,140	530	5,670
Short positions	1,845	1,918	–	3,763
Derivative financial instruments	547	64,849	316	65,712
Of which:				
Foreign exchange	52	53,838	233	54,123
Interest rate	25	9,911	25	9,961
Commodity	470	628	–	1,098
Credit	–	442	30	472
Equity and stock index	–	30	28	58
Total as at 31 December 2016	2,392	79,072	846	82,310

There have been no significant changes to valuation or levelling approaches in 2016.

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

13. FINANCIAL INSTRUMENTS continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,275	–	2,275
Loans and advances to customers	–	3,815	232	4,047
Treasury bills	810	49	–	859
Debt securities	4,492	8,537	256	13,285
Of which:				
Government bonds	4,181	3,993	12	8,186
Issued by corporates other than financial institutions	21	2,555	141	2,717
Issued by financial institutions	290	1,989	103	2,382
Equity shares	2,122	–	813	2,935
Derivative financial instruments	736	61,929	478	63,143
Of which:				
Foreign exchange	67	46,901	291	47,259
Interest rate	1	11,735	9	11,745
Commodity	668	2,838	–	3,506
Credit	–	303	35	338
Equity and stock index	–	152	143	295
Investment securities				
Treasury bills	28,978	3,393	82	32,453
Debt securities	34,868	42,559	257	77,684
Of which:				
Government bonds	20,435	10,356	53	30,844
Issued by corporates other than financial institutions	10,005	8,818	204	19,027
Issued by financial institutions	4,428	23,385	–	27,813
Equity shares	872	7	841	1,720
Total as at 31 December 2015	72,878	122,564	2,959	198,401

Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	637	–	637
Customer accounts	–	8,493	1	8,494
Debt securities in issue	–	8,422	495	8,917
Short positions	1,222	1,602	–	2,824
Derivative financial instruments	695	60,925	319	61,939
Of which:				
Foreign exchange	86	47,681	246	48,013
Interest rate	–	11,913	38	11,951
Commodity	609	818	–	1,427
Credit	–	300	14	314
Equity and stock index	–	213	21	234
Total as at 31 December 2015	1,917	80,079	815	82,811

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during 2015.

13. FINANCIAL INSTRUMENTS continued

Fair value hierarchy – financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

	Carrying value $million	Fair value Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	70,706	–	70,706	–	70,706
Loans and advances to banks	72,609	–	72,545	–	72,545
Loans and advances to customers	252,719	–	7,762	244,662	252,424
Investment securities	3,276	–	3,252	6	3,258
Other assets[1]	33,942	–	33,942	–	33,942
Assets held for sale	1,102	–	–	1,102	1,102
At 31 December 2016	434,354	–	188,207	245,770	433,977
Liabilities					
Deposits by banks	36,894	–	36,762	–	36,762
Customer accounts	371,855	–	371,823	–	371,823
Debt securities in issue	46,700	17,132	29,568	–	46,700
Subordinated liabilities and other borrowed funds	19,523	18,655	177	–	18,832
Other liabilities[1]	32,958	–	32,958	–	32,958
Liabilities included in disposal groups held for sale	958	–	958	–	958
At 31 December 2016	508,888	35,787	472,246	–	508,033

	Carrying value $million	Fair value Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	65,312	–	65,312	–	65,312
Loans and advances to banks	64,494	–	64,522	161	64,683
Loans and advances to customers	257,356	–	6,547	250,334	256,881
Investment securities	2,910	–	2,836	71	2,907
Other assets[1]	32,408	–	32,409	–	32,409
At 31 December 2015	422,480	–	171,626	250,566	422,192
Liabilities					
Deposits by banks	37,611	–	38,058	–	38,058
Customer accounts	350,633	–	350,614	–	350,614
Debt securities in issue	59,880	17,612	42,230	–	59,842
Subordinated liabilities and other borrowed funds	21,852	20,495	426	–	20,921
Other liabilities[1]	31,525	–	31,525	–	31,525
At 31 December 2015	501,501	38,107	462,853	–	500,960

1. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

By Client segment

	2016 Carrying Value Impaired $million	Not impaired $million	Total $million	Fair value Impaired $million	Not impaired $million	Total $million
Corporate & Institutional Banking	2,500	116,601	119,101	2,481	116,501	118,982
Retail Banking	458	93,030	93,488	460	92,786	93,246
Commercial Banking	751	23,215	23,966	736	23,306	24,042
Private Banking	289	11,619	11,908	289	11,609	11,898
Central & other items	–	4,256	4,256	–	4,256	4,256
At 31 December 2016	3,998	248,721	252,719	3,966	248,458	252,424

13. FINANCIAL INSTRUMENTS continued

	2015[1]					
	Carrying Value			Fair value		
	Impaired $million	Not impaired $million	Total $million	Impaired $million	Not impaired $million	Total $million
Corporate & Institutional Banking	4,723	113,375	118,098	4,795	114,715	119,510
Retail Banking	494	94,203	94,697	506	94,025	94,531
Commercial Banking	930	23,405	24,335	912	21,698	22,610
Private Banking	322	14,974	15,296	322	14,973	15,295
Central & other items	–	4,930	4,930	–	4,935	4,935
At 31 December 2015	6,469	250,887	257,356	6,535	250,346	256,881

1. The 2015 comparatives have been represented to reflect the reorganisation of the Group's client segments. Refer to notes 1 and 2 for details

Level 3 Summary and significant unobservable inputs

The following table presents the Group's primary Level 3 financial instruments which are held at fair value and the valuation techniques used to measure those instruments, the significant unobservable inputs, the range of values for those inputs and the weighted average of those inputs.

	Value as at 31 December 2016					
Instrument	**Assets million**	**Liabilities $million**	**Principal valuation technique**	**Significant unobservable inputs**	**Range[1]**	**Weighted average[2]**
Loans and advances to customers	179	–	Comparable pricing/yield	Recovery rates	2.7% to 45.8%	18.7%
Debt securities[2]	25	–	Comparable pricing/yield	Price/yield	3.5% to 14.5%	9.3%
Asset backed securities	5	–	Discounted cash flows	Credit spreads	0.4% to 13.5%	6.5%
Debt securities in issue	–	530	Discounted cash flows	Price/yield	0.5% to 4.0%	1.7%
Government bonds	173	–	Discounted cash flows	Price/yield	2.3% to 23.8%	10.9%
Derivative financial instruments of which:						
Foreign exchange	324	233	Option pricing model	Foreign exchange option implied volatility	10.4% to 18.8%	16.7%
Interest rate	6	25	Discounted cash flows	Interest rate curves	0.2% to 20.8%	7.0%
Credit	–	30	Discounted cash flows	Credit spreads	0.5% to 4.0%	2.0%
Equity	30	28	Internal pricing model	Equity correlation Equity-FX correlation	-35.0% to 92.0% -87.0% to 91.0%	N/A N/A
Equity shares (includes private equity investments)	1,544	–	Comparable pricing/Yield	EV/EBITDA multiples	7.7x to 26.6x	10.6x
				P/E multiples P/B multiples P/S multiple Liquidity discount	7.6x to 22.3x 1.4x 1.7x to 2.6x 10% to 20%	16.9x 1.4x 2.4x 19.0%
			Discounted cash flows	Discount rates	9.9%	9.9%
Total	2,286	846				

1. The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2016. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments
2. Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

The following section describes the significant unobservable inputs identified in the valuation technique table:

- **Credit spreads** represent the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument
- **Recovery rates** is the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan

13. FINANCIAL INSTRUMENTS continued

- **Comparable price/yield** is a valuation methodology in which a price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash-flows in a discounted cash-flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (for example, deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset
- **Correlation** is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates
- **Volatility** represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be
- **Interest rate curves** is the term structure of interest rates and measure of future interest rates at a particular point of time
- **EV/EBITDA ratio multiples** is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple in isolation, will result in a favourable movement in the fair value of the unlisted firm
- **Price-Earnings (P/E) multiples** is the ratio of the Market Capitalisation to the Net Income after tax. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm
- **Liquidity discounts in the valuation of unlisted investments:** A liquidity discount is primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm
- **Price-Book (P/B) multiple:** This is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Sales (P/S) multiple:** This is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm

Level 3 movement

The table below analyses movements in Level 3 financial assets carried at fair value.

	Held at fair value through profit or loss				Investment securities			
Assets	Loans and advances to customers $million	Debt securities $million	Equity shares $million	Derivative financial instruments $million	Treasury bills $million	Debt securities $million	Equity shares $million	Total $million
At 1 January 2016	232	256	813	478	82	257	841	2,959
Total (losses)/gains recognised in income statement	(87)	4	(268)	44	–	(64)	(198)	(569)
Net trading income	(87)	4	(268)	44	–	–	–	(307)
Other operating income	–	–	–	–	–	–	(7)	(7)
Impairment charge	–	–	–	–	–	(64)	(191)	(255)
Total (losses)/gains recognised in other comprehensive income	–	–	–	–	–	(4)	1	(3)
Available-for-sale	–	–	–	–	–	–	5	5
Exchange difference	–	–	–	–	–	(4)	(4)	(8)
Purchases	–	73	300	32	91	13	121	630
Sales	(6)	(197)	(60)	(13)	–	(50)	(36)	(362)
Settlements	(67)	(10)	–	(54)	–	(23)	–	(154)
Transfers out[1]	(100)	(122)	–	(127)	(38)	(82)	(180)	(649)
Transfers in[2]	207	–	210	–	–	17	–	434
At 31 December 2016	179	4	995	360	135	64	549	2,286
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2016	(87)	5	(258)	24	–	–	–	(316)
Total unrealised losses recognised in the income statement, within impairment charges at 31 December 2016	–	–	–	–	–	(64)	(191)	(255)

1. Transfers out during the year primarily relate to loans and advances, debt securities, derivative financial instruments, treasury bills and equity shares where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets
2. Transfers in during the year primarily relate to loans and advances, equity shares and debt securities where the valuation parameters become unobservable during the year

13. FINANCIAL INSTRUMENTS continued

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 January 2015	640	395	808	575	–	360	953	3,731
Total (losses)/gains recognised in income statement	(441)	5	(75)	22	–	(17)	(24)	(530)
Net trading income	(441)	5	(75)	22	–	–	19	(470)
Other operating income	–	–	–	–	–	–	30	30
Impairment charge	–	–	–	–	–	(17)	(73)	(90)
Total losses recognised in other comprehensive income	–	–	–	(4)	(1)	(49)	(20)	(74)
Available-for-sale reserve	–	–	–	–	–	(29)	(15)	(44)
Exchange difference	–	–	–	(4)	(1)	(20)	(5)	(30)
Purchases	3	80	375	101	44	–	398	1,001
Sales	–	(161)	(357)	(72)	–	(116)	(304)	(1,010)
Settlements	–	(25)	–	(81)	(22)	(52)	–	(180)
Transfers out[1]	–	(185)	–	(78)	(78)	(123)	(162)	(626)
Transfers in[2]	30	147	62	15	139	254	–	647
At 31 December 2015	232	256	813	478	82	257	841	2,959
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2015	(430)	6	(66)	33	–	–	–	(457)
Total unrealised (losses)/gains recognised in the income statement, within impairment charges at 31 December 2015	–	–	–	–	–	(17)	1	(16)

1. Transfers out during the year primarily relate to certain equity shares and debt securities where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets
2. Transfers in during the year primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the year

Level 3 movement tables – Financial liabilities

2016	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2016	1	495	319	815
Total losses recognised in income statement – net trading income	–	1	31	32
Issues	–	268	78	346
Settlements	–	(237)	(74)	(311)
Transfers out[1]	(1)	–	(38)	(39)
Transfers in[2]	–	3	–	3
At 31 December 2016	–	530	316	846
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2016	–	5	39	44

2015	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2015	1	208	296	505
Total losses recognised in income statement – net trading income	–	11	6	17
Issues	–	310	40	350
Settlements	–	(176)	(26)	(202)
Transfers out	–	–	(3)	(3)
Transfers in	–	142	6	148
At 31 December 2015	1	495	319	815
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2015	–	–	16	16

1. Transfers out during the year primarily relate to derivative financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities
2. Transfers in during the year primarily relate to debt securities in issue for which parameters became unobservable during the year

13. FINANCIAL INSTRUMENTS continued

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

Sensitivity analysis is performed on products with significant unobservable inputs. The Group apply a 10 per cent increase or decrease on the values of these unobservable reasonably possible alternatives inputs, which could have increased fair values of financial instruments inputs, to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analyses performed on a set of reference prices based on the composition of our Level 3 assets. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million	Net exposure $million	Favourable Changes $million	Unfavourable Changes $million
Financial instruments held at fair value						
Debt securities	**4**	**4**	**4**	**64**	**64**	**64**
Equity shares	**995**	**1,095**	**896**	**549**	**604**	**494**
Loan and advances	**179**	**187**	**171**	**–**	**–**	**–**
Treasury bills	**–**	**–**	**–**	**135**	**136**	**134**
Derivative financial instruments	**44**	**158**	**25**	**–**	**–**	**–**
Debt securities in issue	**(530)**	**(521)**	**(539)**	**–**	**–**	**–**
At 31 December 2016	**692**	**923**	**557**	**748**	**804**	**692**
Financial instruments held at fair value						
Debt securities	256	261	251	257	266	247
Equity shares	813	895	731	841	937	745
Loan and advances	231	259	217	–	–	–
Treasury bills	–	–	–	82	83	81
Derivative financial instruments	159	423	(106)	–	–	–
Debt securities in issue	(495)	(482)	(508)	–	–	–
At 31 December 2015	964	1,356	585	1,180	1,286	1,073

The reasonably possible alternatives could have increased or decreased the fair values of financial instruments held at fair value through profit or loss and those classified as available-for-sale by the amounts disclosed below.

Financial instruments	Fair value changes	**2016 $million**	2015 $million
Designated at fair value through profit or loss	Possible increase	**231**	392
	Possible decrease	**(135)**	(379)
Available-for-sale	Possible increase	**56**	106
	Possible decrease	**(56)**	(107)

14. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Accounting for derivatives: Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives.

Hedge accounting: The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge)

b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge)

c) hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment. Where these economic hedges use derivative to offset risk, the derivatives are fair valued, with fair value changes recognised through profit or loss.

Fair value hedge: Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity or derecognition.

Cash flow hedge: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge: Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is disposed of.

14. DERIVATIVE FINANCIAL INSTRUMENTS continued

The tables below analyse the notional principal amounts and the positive and negative fair values of derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

	2016			2015		
Derivatives	**Notional principal amounts $million**	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**1,896,056**	**24,872**	**24,475**	1,846,097	20,379	20,013
Currency swaps and options	**1,288,908**	**29,210**	**29,648**	1,325,425	26,880	28,000
Exchange traded futures and options	**225**	**–**	**–**	454	–	–
	3,185,189	**54,082**	**54,123**	3,171,976	47,259	48,013
Interest rate derivative contracts:						
Swaps	**2,191,851**	**8,425**	**8,409**	2,121,493	10,810	10,780
Forward rate agreements and options	**114,988**	**1,305**	**1,404**	72,776	935	1,171
Exchange traded futures and options	**789,901**	**148**	**148**	586,588	–	–
	3,096,740	**9,878**	**9,961**	2,780,857	11,745	11,951
Credit derivative contracts	**25,101**	**171**	**472**	23,561	338	314
Equity and stock index options	**2,535**	**52**	**58**	9,384	295	234
Commodity derivative contracts	**80,921**	**1,326**	**1,098**	96,984	3,506	1,427
Total derivatives	**6,390,486**	**65,509**	**65,712**	6,082,762	63,143	61,939

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business. Details of the amounts available for offset are set out in note 13 on page 225.

The Derivatives and Hedging sections of the Risk review and Capital review on page 164 explain the Group's risk management of derivative contracts and application of hedging.

Derivatives held for hedging

Included in the table above are derivatives held for hedging purposes as follows:

	2016			2015		
	Notional principal amounts $million	**Assets $million**	**Liabilities $million**	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	**48,565**	**972**	**303**	52,826	736	233
Forward foreign exchange contracts	**419**	**12**	**15**	5	–	–
Currency swaps	**21,495**	**37**	**2,377**	29,199	510	2,247
	70,479	**1,021**	**2,695**	82,030	1,246	2,480
Derivatives designated as cash flow hedges:						
Interest rate swaps	**10,236**	**3**	**84**	8,777	3	20
Forward foreign exchange contracts	**883**	**–**	**13**	1,589	3	46
Currency swaps	**1,258**	**1**	**3**	2,621	40	3
	12,377	**4**	**100**	12,987	46	69
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**1,313**	**51**	**–**	1,339	39	–
Total derivatives held for hedging	**84,169**	**1,076**	**2,795**	96,356	1,331	2,549

14. DERIVATIVE FINANCIAL INSTRUMENTS continued

Fair value hedges

The Group uses interest rate swaps to exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match the floating rates paid on funding.

For qualifying hedges the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit or loss. All qualifying hedges were effective.

	2016 $million	2015 $million
Net losses on hedging instruments	(77)	(192)
Net gains on hedging items[1]	57	198

1. Includes amortisation of fair value adjustments in respect of hedges no longer qualifying for hedge accounting

Cash flow hedges

The Group uses interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts, currency swaps and options to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies.

Gains and losses arising on the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit or loss, at which time the gains or losses are transferred to profit and loss.

	2016 $million	2015 $million
Losses reclassified from reserves to income statement	(57)	(107)
Losses recognised in operating costs	(67)	(118)
Gains recognised in other comprehensive income	10	11

The Group has hedged the following cash flows which are expected to impact the income statement in the following years:

2016	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	68	48	50	35	23	8	232
Forecast payable cash flows	(20)	(9)	(28)	(1)	–	–	(58)
	48	39	22	34	23	8	174

2015	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	55	49	30	26	12	–	172
Forecast payable cash flows	(1,504)	(10)	(5)	(1)	–	–	(1,520)
	(1,449)	39	25	25	12	–	(1,348)

Net investment hedges

The Group uses a combination of foreign exchange contracts and non derivative financial assets to manage the variability in future exchange rates on its net investments in foreign currencies. Gains and losses arising on the effective portion of the hedges are deferred in equity until the net investment is disposed of.

	2016 $million	2015 $million
Gains recognised in other comprehensive income	30	90

15. INVESTMENT SECURITIES

Accounting policy

Investment securities are treasury bills, debt securities and equity securities intended to be held on a continuing basis. The securities are predominantly classified as available for sale. Refer to note 13 Financial Instruments for the accounting policy.

	2016					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity shares[1] $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	163	30,312	10			
Other public sector securities	–	1,705	222			
	163	32,017	232			
Issued by banks:						
Certificates of deposit	–	5,764	–			
Other debt securities	–	21,748	79			
	–	27,512	79			
Issued by corporate entities and other issuers:						
Other debt securities	7	9,675	2,795			
Total debt securities	170	69,204	3,106			
Of which:						
Listed on a recognised UK exchange	–	8,847	108[2]	3	628	9,586
Listed elsewhere	7	32,585	596[2]	741	15,765	49,694
Unlisted	163	27,772	2,402	644	18,711	49,692
	170	69,204	3,106	1,388	35,104	108,972
Market value of listed securities	7	41,432	704	744	16,393	59,280

1. Equity shares largely comprise investments in corporates
2. These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid

	2015					
	Debt securities					
	Held-to-maturity $million	Available-for-sale $million	Loans and receivables $million	Equity shares[1] $million	Treasury bills $million	Total $million
Issued by public bodies:						
Government securities	159	35,086	–			
Other public sector securities	–	2,215	37			
	159	37,301	37			
Issued by banks:						
Certificates of deposit	–	4,076	–			
Other debt securities	–	22,110	15			
	–	26,186	15			
Issued by corporate entities and other issuers:						
Other debt securities	51	14,197	2,648			
Total debt securities	210	77,684	2,700			
Of which:						
Listed on a recognised UK exchange	–	15,992	120[2]	8	2,057	18,177
Listed elsewhere	51	31,837	483[2]	782	14,703	47,856
Unlisted	159	29,855	2,097	930	15,693	48,734
	210	77,684	2,700	1,720	32,453	114,767
Market value of listed securities	51	47,829	603	790	16,760	66,033

1. Equity shares largely comprise investments in corporates
2. These debt securities listed or registered on a recognised UK exchange or elsewhere are thinly traded or the market for these securities is illiquid

15. INVESTMENT SECURITIES continued

The change in the carrying amount of investment securities comprised:

	2016				2015			
	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million	Debt securities $million	Equity shares $million	Treasury bills $million	Total $million
At 1 January	80,594	1,720	32,453	114,767	77,942	2,207	24,089	104,238
Exchange translation differences	(1,505)	(30)	(756)	(2,291)	(2,868)	(4)	(966)	(3,838)
Additions	99,915	193	107,166	207,274	132,800	375	76,300	209,475
Maturities and disposals	(106,505)	(284)	(104,035)	(210,824)	(127,184)	(699)	(67,244)	(195,127)
Impairment, net of recoveries on disposal	(151)	(246)	–	(397)	(71)	(124)	–	(195)
Changes in fair value (including the effect of fair value hedging)	122	35	21	178	14	(34)	(7)	(27)
Amortisation of discounts and premiums	10	–	255	265	(39)	(1)	281	241
At 31 December	72,480	1,388	35,104	108,972	80,594	1,720	32,453	114,767

The analysis of unamortised premiums and unamortised discounts on debt securities and income on equity shares held for investment purposes is provided below:

	2016 $million	2015 $million
Debt securities:		
Unamortised premiums	462	401
Unamortised discounts	139	149
Income from listed equity shares	38	92
Income from unlisted equity shares	14	19

The following table sets out the movement in the allowance of impairment provisions for investment securities classified as loans and receivables:

	2016 $million	2015 $million
At 1 January	57	26
Exchange translation differences	(3)	(1)
Amounts written off	(7)	(34)
Impairment charge	97	66
At 31 December	144	57

16. LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Accounting policy

Refer to note 8 Impairment losses on loans and advances and other credit risk provision and note 13 Financial instruments for the accounting policies.

	2016 $million	2015 $million
Loans and advances to banks	72,773	64,658
Individual impairment provision	(163)	(163)
Portfolio impairment provision	(1)	(1)
	72,609	64,494
Loans and advances to customers	259,073	264,036
Individual impairment provision	(5,667)	(6,023)
Portfolio impairment provision	(687)	(657)
	252,719[1]	257,356
Total loans and advances to banks and customers	325,328	321,850

1. Loans and advances to customers (net of provision) totalling $1.1 billion (2015: $nil billion) has been classified and disclosed as held for sale in note 20

The Group has outstanding residential mortgage loans to Korea residents of $15.3 billion (2015: $13.4 billion) and Hong Kong residents of $28.7 billion (2015: $27.7 billion).

Analysis of loans and advances to customers and related impairment provisions by geographic region is set out within the Risk review on pages 167 to 177.

16. LOANS AND ADVANCES TO BANKS AND CUSTOMERS continued

Accounting policy

Sale and repurchase agreements: Securities sold subject to repurchase agreements (repos) remain on the balance sheet, the counterparty liability is included in deposits by banks or customer accounts, as appropriate. Securities purchased under agreements to resell (reverse-repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

Derecognition: Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement. Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in Other income.

Repos and securities borrowing and lending transactions: These transactions typically entitle the Group and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Securities sold subject to repos, either by way of a Global Master Repurchase Agreement (GMRA), or through a securities sale and TRS continue to be recognised on the balance sheet as the Group retains substantially the associated risks and rewards of the securities, the TRS is not recognised. The counterparty liability is included in deposits by banks or customer accounts, as appropriate. Assets sold under repurchase agreements are considered encumbered as the Group cannot pledge these to obtain funding.

The table below sets out the financial assets provided as collateral for repurchase transactions.

Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills	–	110	–	110
Debt securities	1,094	3,576	–	4,670
Off balance sheet				
Repledged collateral received	–	–	33,053	33,053
At 31 December 2016	1,094	3,686	33,053	37,833

Balance sheet liabilities – repurchase agreements	
Deposits by banks	4,022
Customer accounts	33,670
At 31 December 2016	37,692

Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Available for sale $million	Loans and receivables $million	Total $million
On balance sheet				
Treasury bills	–	98	–	98
Debt securities	487	520	–	1,007
Off balance sheet				
Repledged collateral received	491	–	21,694	22,185
At 31 December 2015	978	618	21,694	23,290

Balance sheet liabilities – repurchase agreements	
Deposits by banks	7,598
Customer accounts	13,008
At 31 December 2015	20,606

16. LOANS AND ADVANCES TO BANKS AND CUSTOMERS continued

Reverse repurchase agreements

The Group also undertakes reverse repurchase (reverse repo) lending agreements with counterparties, typically financial institutions, in exchange for collateral. Reverse repo agreements entitle the Group to have recourse to assets similar to those received as collateral in the event of a default. In addition the Group also obtains collateral on terms that permit the Group to repledge or resell the collateral to others. The Group does not recognise the securities bought under reverse repos as collateral on its balance sheet as the Group is not substantially entitled to the risks and rewards associated with those assets, and instead recognises the lending as loans and advances to banks or customers, as appropriate. Reverse repos are set out in the table below.

Balance sheet assets – reverse repurchase agreements

	2016 $million	2015 $million
Loans and advances to banks	18,464	17,330
Loans and advances to customers	23,925	15,307
	42,389	32,637

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	2016 $million	2015 $million
Securities and collateral received (at fair value)	55,394	53,357
Securities and collateral which can be repledged or sold (at fair value)	54,473	52,841
Amounts repledged/transferred to others for financing activities, to satisfy commitments under short sale transactions or liabilities under sale and repurchase agreements (at fair value)	33,053	22,185

Securitisation transactions

The Group has also entered into a number of securitisation transactions where the underlying loans and advances have been transferred to Structured Entities (SEs) that are fully consolidated by the Group. As a result, the Group continues to recognise the assets on its balance sheet, together with the associated liability instruments issued by the SEs. The holders of the liability instruments have recourse only to the assets transferred to the SEs.

The following table sets out the carrying value and fair value of the assets transferred and the carrying value and fair value of the associated liabilities.

	2016		2015	
	Carrying value $million	Fair value $million	Carrying value $million	Fair value $million
Loans and advances to customers	21	21	76	76
Securitisation liability	15	15	43	43
Net	6	6	33	33

The Group did not undertake any transactions that required the recognition of an asset representing continuing involvement in financial assets.

17. GOODWILL AND INTANGIBLE ASSETS

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in Intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments (as set out in note 2) as the Group views its reportable segments on a global basis. The major CGUs to which goodwill has been allocated are set out below.

Significant accounting estimates and judgments

The carrying amount of goodwill is based on the extent of judgements including the basis of assumptions and forecasts used for determining cash flows for CGUs, headroom availability, and sensitivities of the forecasts to reasonably possible changes in assumptions. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill on balance sheet is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over a three-year time period.

	2016				2015			
	Goodwill $million	Acquired intangibles $million	Computer software[1] $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	3,616	494	1,551	5,661	4,224	564	1,348	6,136
Exchange translation differences	6	(1)	(55)	(50)	(120)	(37)	(93)	(250)
Additions	–	24	567	591	–	–	368	368
Disposals	–	–	(1)	(1)	–	–	–	–
Impairment	(166)	–	–	(166)	(488)	–	–	(488)
Amounts written off	–	(12)	(181)	(193)	–	(33)	(72)	(105)
At 31 December	3,456	505	1,881	5,842	3,616	494	1,551	5,661
Provision for amortisation								
At 1 January	–	430	589	1,019	–	467	479	946
Exchange translation differences	–	(1)	(15)	(16)	–	(27)	(34)	(61)
Amortisation	–	14	272	286	–	22	205	227
Impairment charge	–	–	–	–	–	1	–	1
Disposals	–	–	(1)	(1)	–	–	–	–
Amounts written off	–	(12)	(153)	(165)	–	(33)	(61)	(94)
At 31 December	–	431	692	1,123	–	430	589	1,019
Net book value	3,456	74	1,189	4,719	3,616	64	962	4,642

1. Computer software is materially all internally generated

17. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill

At 31 December 2016, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $2,481 million (2015: $2,315 million).

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. Indicators of impairment include changes in the economic performance and outlook of the region including geo-political changes, changes in market value of regional investments, large credit defaults and strategic decisions to exit certain regions. The recoverable amounts for all the CGUs were measured based on value-in-use (ViU).

At 31 December 2016, all CGUs had recoverable amounts that exceed the carrying amounts with the exception of the Thailand CGU, where the carrying amount exceeded the recoverable value by $166 million. An impairment charge of $166 million has been recognised to write off this remaining goodwill.

The calculation of ViU for each CGU is calculated using five-year cash flow projections and an estimated terminal value based on a perpetuity value after year five. The cash flow projections are based on forecasts approved by management up to 2021. The perpetuity terminal value amount is calculated using year five cash flows using long-term GDP growth rates. All cash flows are discounted using pre-tax discount rates which reflect market rates appropriate to the CGU. In prior years the terminal value element of the calculation was calculated by projecting a further 15-years of cash flow and then including a terminal value. The change in assessment methodology of the terminal value is not materially different between the two methods.

The goodwill allocated to each CGU and key assumptions used in determining the recoverable amounts are set out below and are solely estimates for the purposes of assessing impairment of acquired goodwill.

	2016			2015		
Cash Generating Unit	**Goodwill $million**	**Pre-tax discount rate per cent**	**Long-term forecast GDP growth rates per cent**	Goodwill $million	Pre-tax discount rate per cent	Long-term forecast GDP growth rates per cent
Pakistan business	**251**	**23.8**	**5.3**	251	27.0	4.9
Taiwan business	**845**	**12.8**	**2.2**	828	16.3	3.0
Credit card and personal loan – Asia, India & MENAP	**896**	**13.1**	**3.6**	896	15.0	4.0
India business	**295**	**17.0**	**7.8**	303	19.2	7.6
MESA business[1]	**368**	**13.6**	**3.7**	368	19.3	4.0
Thailand business	**–**	**13.9**	**3.1**	165	17.4	3.3
Financial Institutions and Private Banking business	**396**	**13.5**	**2.9**	396	14.0	3.8
Corporate advisory business	**71**	**13.4**	**2.9**	74	14.0	3.8
Consumer banking business in Singapore	**193**	**10.1**	**2.6**	197	11.9	4.0
Other	**141**	**13.4-21.2**	**2.9-5.9**	138	13.8-20.7	3.8-6.2
	3,456			3,616		

1. MESA business consists of UAE, Saudi Arabia, Jordan, Oman, Qatar, Bahrain, Lebanon, Pakistan, Sri Lanka and Bangladesh

The Group has performed sensitivity analysis on the key assumptions for each CGU's recoverable amount. These include a 1 per cent (post-tax) increase in the discount rate, a 1 per cent (pre-tax) reduction in long-term GDP growth rates, a 10 per cent (post-tax) reduction in estimated cash flows and in certain instances a combination of these factors. In each case, except the Taiwan business CGU, the recoverable amounts exceed the carrying amounts. In the case of Taiwan the sensitivity analysis under various scenarios could lead to a potential impairment in a future period; however, at present we do not consider that this is required. The discount rate would need to increase by 1 per cent (pre-tax) or the cash flows would need to fall by 9.3 per cent (pre-tax) on an annual basis.

Acquired intangibles

These primarily comprise those items recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu (now amalgamated into Standard Chartered Bank (Taiwan) Limited), Pembroke, Harrison Lovegrove, American Express Bank and Absa's custody business in Africa. Maintenance intangible assets represent the value in the difference between the contractual right under acquired leases to receive aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

The acquired intangibles are amortised over periods from four years to a maximum of 16 years. The constituents are as follows:

	2016 $million	2015 $million
Acquired intangibles comprise:		
Aircraft maintenance	**24**	–
Brand names	**–**	1
Core deposits	**3**	5
Customer relationships	**39**	50
Licences	**8**	8
Net book value	**74**	64

18. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

At each balance sheet date the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings – up to 50 years
- Leasehold improvements life of lease – up to 50 years
- Equipment and motor vehicles – three to 15 years
- Aircraft – up to 18 years
- Ships – up to 15 years

Where the Group is a lessee under finance leases, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities. Finance charges payable are recognised over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Change in accounting estimate

During the year, the Group revised the useful lives (to the Group) and residual value estimates of the Standard Chartered aviation and shipping assets which are leased to third parties under operating leases. A review researched the latest industry participant information and resulted in the Group concluding that the useful life of its aviation assets is a maximum of 18 years and its shipping assets is a maximum of 15 years (both previously up to 25 years) aligned to the Group's intended use of the assets. This had the effect of increasing the depreciation expense for the year ended 31 December 2016 by $17 million.

	2016				2015			
	Premises $million	**Equipment $million**	**Operating lease assets $million**	**Total $million**	Premises $million	Equipment $million	Operating lease assets $million	Total $million
Cost or valuation								
At 1 January	**2,156**	**735**	**6,527**	**9,418**	2,330	805	6,759	9,894
Exchange translation differences	**(62)**	**(28)**	**–**	**(90)**	(107)	(52)	–	(159)
Additions	**79**	**116**	**1,016**	**1,211**	45	85	885	1,015
Disposals and fully depreciated assets written off	**(38)**	**(123)**	**(561)**	**(722)**	(108)	(103)	(853)	(1,064)
Transfers to assets held for sale	**(18)**	**(1)**	**–**	**(19)**	(4)	–	(264)	(268)
As at 31 December	**2,117**	**699**	**6,982**	**9,798**	2,156	735	6,527	9,418
Depreciation								
Accumulated at 1 January	**668**	**528**	**1,013**	**2,209**	655	581	674	1,910
Exchange translation differences	**(19)**	**(17)**	**–**	**(36)**	(32)	(38)	–	(70)
Charge for the year	**98**	**84**	**271**	**453**	91	88	258	437
Impairment charge	**–**	**–**	**131**	**131**	19	–	130	149
Attributable to assets sold, transferred or written off	**(28)**	**(120)**	**(56)**	**(204)**	(62)	(103)	(32)	(197)
Transfers to assets held for sale	**(6)**	**(1)**	**–**	**(7)**	(3)	–	(17)	(20)
Accumulated at 31 December	**713**	**474**	**1,359**	**2,546**	668	528	1,013	2,209
Net book amount at 31 December	**1,404**	**225**	**5,623**	**7,252**	1,488	207	5,514	7,209

During the year, an impairment charge of $131 million (2015: $130 million) was recognised in respect of aircraft and ships held as operating lease assets, as the ViU of the assets was lower than the net book value. The charge was recognised within the Corporate & Institutional Banking segment.

18. PROPERTY, PLANT AND EQUIPMENT continued

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft and ships which are included within property, plant and equipment. At 31 December 2016 these assets had a net book value of $5,623 million (December 2015: $5,514 million)

	2016 Minimum lease receivables under operating leases falling due: $million	2015 Minimum lease receivables under operating leases falling due: $million
Within one year	611	588
Later than one year and less than five years	2,186	2,042
After five years	1,182	1,427
	3,979	4,057

19. OPERATING LEASE COMMITMENTS

Accounting policy

The leases entered into by the Group are primarily operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. The Group leases various premises under non-cancellable lease arrangements. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place. If an operating lease contains a reinstatement clause, a provision will be raised for the best estimate of the expenses to be incurred at the end of the lease to reinstate the property to its original condition. This cost is amortised over the life of the lease.

	2016		2015	
	Premises $million	Equipment $million	Premises $million	Equipment $million
Commitments under non-cancellable operating leases expiring:				
Within one year	258	1	282	3
Later than one year and less than five years	623	1	674	2
After five years	245	–	383	–
	1,126	2	1,339	5

During the year $400 million (2015: $433 million) was recognised as an expense in the income statement in respect of operating leases. The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2016 is $96 million (2015: $116 million).

20. OTHER ASSETS

Accounting policy

Refer to note 13 Financial Instruments for the accounting policy.

Assets held for sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

a) their carrying amounts will be recovered principally through sale

b) they are available-for-sale in their present condition

c) their sale is highly probable

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in the disposal group) are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale.

20. OTHER ASSETS continued

	2016 $million	2015 $million
Financial assets held at amortised cost (note 13)		
Hong Kong SAR Government certificates of indebtedness (note 22)[1]	5,444	4,907
Cash collateral	14,230	13,430
Acceptances and endorsements	4,479	3,949
Unsettled trades and other financial assets	9,789	10,122
	33,942	32,408
Non-financial assets		
Commodities	2,719	1,652
Other assets	279	192
	36,940	34,252

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

The disposal groups below have been presented as held for sale following the approval of the Group management and the transactions are expected to complete in 2017. The assets and liabilities of the disposal groups were remeasured to the lower of carrying amount and fair value less costs to sell.

Assets classified as held for sale	2016 $million	2015 $million
Cash and balances at central banks	1	–
Loans and advances to customers	1,101	93
Prepayments and accrued income	9	–
Interests in associates	131	–
Property, plant and equipment	12	256
	1,254	349

Assets held for sale represent businesses held for sale which are measured at fair value less costs to sell. They are classified within level 3 of the fair value hierarchy. The disposal group includes:

- Retail Banking business of Standard Chartered Bank (Thai) Public Company Limited – $1,111 million, expected to be completed in 2017
- Asia Commercial Bank – $131 million for 2016, expected to be completed in 2017

There have been losses due to changes in fair value of assets classified as held for sale during 2016 of $44 million (2015: $4 million loss) within other operating income (note 6)

The assets reported above are Level 3 except for cash and balances at central banks (level 2) and financial assets held at fair value through profit or loss (level 2). The net liabilities due to Group undertakings will be transferred to the acquirers on completion of the sale.

21. DEBT SECURITIES IN ISSUE

Accounting policy

Refer to note 13 Financial instruments for the accounting policy.

	2016			2015		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	15,020	31,680	46,700	20,174	39,706	59,880
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 13)	35	5,635	5,670	104	8,813	8,917
Total debt securities in issue	15,055	37,315	52,370	20,278	48,519	68,797

In 2016, the Company issued a total of $4.4 billion senior notes for general business purposes of the Group as shown below:

Securities	$million
$1,000 million fixed rate senior notes due 2021	1,000
$1,250 million fixed rate senior notes due 2026	1,250
$1,000 million fixed rate senior notes due 2019	1,000
$750 million floating rate senior notes due 2019	750
JPY 45,000 million fixed rate notes due 2021	385

22. OTHER LIABILITIES

Accounting policy

Refer to note 13 Financial instruments for the accounting policy.

	2016 $million	2015 $million
Financial liabilities held at amortised cost (note 13)		
Notes in circulation[1]	**5,444**	4,907
Acceptances and endorsements	**4,479**	3,949
Cash collateral	**9,624**	10,074
Unsettled trades and other financial liabilities	**13,411**	12,595
	32,958	31,525
Non-financial liabilities		
Cash-settled share based payments	**26**	18
Other liabilities	**162**	396
	33,146	31,939

1. Hong Kong currency notes in circulation of $5,444 million (2015: $4,907 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 20)

Liabilities included in disposal groups held for sale[1]	2016 $million	2015 $million
Customer accounts	**958**	58
Other liabilities	**1**	14
Accruals and deferred income	**6**	–
	965	72

1. Liabilities included in disposal groups held for sale are classified within level 2 of the fair value hierarchy. In 2016, the balance represents the Retail Banking business of Standard Chartered Bank (Thai) Public Company Limited (assets classified as held for sale $965 million) and is expected to be completed in 2017

23. PROVISIONS FOR LIABILITIES AND CHARGES

Accounting policy

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

	2016			2015		
	Provision for credit commitments $million	**Other provisions $million**	**Total $million**	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January	**100**	**115**	**215**	20	109	129
Exchange translation differences	**(2)**	**(2)**	**(4)**	(3)	(4)	(7)
Charge against profit	**45**	**37**	**82**	94	89	183
Provisions utilised	**(34)**	**(46)**	**(80)**	(11)	(79)	(90)
At 31 December	**109**	**104**	**213**	100	115	215

Provision for credit commitments comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

Other provisions consist mainly of provisions for regulatory settlements and legal claims (note 25).

24. CONTINGENT LIABILITIES AND COMMITMENTS

Accounting policy

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events, that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

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

Capital commitments are contractual commitments the Group has entered into to purchase non-financial assets.

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.

	2016 $million	2015[1] $million
Contingent liabilities		
Guarantees and irrevocable letters of credit	33,551	29,694
Other contingent liabilities	3,839	9,361
	37,390	39,055
Commitments		
Documentary credits and short-term trade-related transactions	4,120	4,852
Forward asset purchases and forward deposits placed	6	69
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	38,108	45,327
Less than one year	17,547	14,104
Unconditionally cancellable	118,330	123,036
	178,111	187,388
Capital commitments		
Contracted capital expenditure approved by the directors but not provided for in these accounts	1,736	1

1. $461 million of derivative notionals reported in 2015 as forward asset purchases and forward deposits placed has been restated to $69 million. Accordingly, total reported commitments of the Group in 2015 was $187.8 billion and has been restated to $187.4 billion.

The Group's share of contingent liabilities and commitments relating to joint ventures is $246 million (2015: $286 million).

The Group has committed to purchase 16 aircraft for delivery in 2017 and 2018. The combined purchase commitment for these orders totals a maximum of $1.7 billion. Pre-delivery payments of $0.4 billion have been made to date in respect of these aircraft.

25. LEGAL AND REGULATORY MATTERS

Accounting policy

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established.

The Group receives legal claims against it in a number of jurisdictions and is a party to regulatory matters arising in the normal course of business. Apart from the matters described below, the Group currently considers none of these claims and proceedings as material.

2012 Settlements with certain US authorities

In 2012, the Group reached settlements with certain US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Board of Governors of the Federal Reserve System (Fed), Deferred Prosecution Agreements (DPAs) with each of the Department of Justice (DOJ) and the New York County District Attorney's Office (DANY) and a Settlement Agreement with the Office of Foreign Assets Control (together, the 'Settlements'). In addition to the civil penalties totalling $667 million, the terms of these Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (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.

25. LEGAL AND REGULATORY MATTERS continued

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

2014 Settlement with NYDFS

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, which we expect to be further extended

(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.

Other ongoing reviews

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

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. At relevant times, certain of the Group's branches and/or subsidiaries were (and are) participants in some of those markets, in some cases submitting data to bodies that set such rates and other financial benchmarks and responding to inquiries and investigations by relevant authorities. 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 Securities and Futures Commission (SFC) in Hong Kong has been investigating Standard Chartered Securities (Hong Kong) Limited's (SCSHK) role as a joint sponsor of an initial public offering of China Forestry Holdings Limited, listed on the Hong Kong Stock Exchange in 2009. In October 2016, SFC informed the Group that it intends to commence action against SCSHK and other parties. On 16 January 2017 a writ was filed by the SFC with Hong Kong's High Court. The writ names SCSHK as one of six defendants from whom the SFC is seeking compensation for an unspecified amount of losses incurred by certain shareholders in relation to the initial public offering. There may be financial consequences for SCSHK in connection with this matter.

26. SUBORDINATED LIABILITIES AND OTHER BORROWED FUNDS

Accounting policy

Subordinated liabilities and other borrowed funds are classified as financial instruments. Refer to note 13 Financial Instruments for the accounting policy.

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

	2016 $million	2015 $million
Subordinated loan capital – issued by subsidiary undertakings		
£700 million 7.75 per cent subordinated notes 2018	**898**	1,106
£675 million 5.375 per cent undated step up subordinated notes (callable 2020)	**307**	651
£600 million 8.103 per cent step up callable perpetual preferred securities (callable 2016)	**–**	905
£200 million 7.75 per cent undated step up subordinated notes (callable 2022)	**215**	364
€1.1 billion 5.875 per cent subordinated notes 2017	**1,197**	1,280
$1 billion 6.4 per cent subordinated notes 2017	**512**	1,065
$750 million 5.875 per cent subordinated notes 2020	**785**	799
$700 million 8.0 per cent subordinated notes 2031	**432**	636
BWP 127.26 million 8.2 per cent subordinated notes 2022 (callable 2017)	**12**	11
BWP 70 million floating rate subordinated notes 2021 (callable 2016)	**7**	6
BWP 50 million floating rate notes 2022 (callable 2017)	**5**	5
JPY 10 billion 3.35 per cent subordinated notes 2023 (callable 2018)	**88**	86
KRW 270 billion 4.67 per cent subordinated debt 2021 (callable 2016)	**–**	231
KRW 90 billion 6.05 per cent subordinated debt 2018	**79**	85
PKR 2.5 billion floating rate notes 2022 (callable 2017)	**24**	24
SGD 750 million 4.15 per cent subordinated notes 2021 (callable 2016)	**–**	503
SGD 450 million 5.25 per cent subordinated notes 2023 (callable 2018)	**318**	323
UGX 40 billion 13 per cent subordinated notes 2020 (callable 2015)	**–**	12
	4,879	8,092
Subordinated loan capital – issued by the Company		
Primary capital floating rate notes:		
$400 million	**16**	44
$300 million (Series 2)	**69**	80
$400 million (Series 3)	**50**	64
$200 million (Series 4)	**26**	50
£150 million	**15**	45
£900 million 5.125 per cent subordinated debt 2034	**1,307**	1,463
$2 billion 5.7 per cent subordinated debt 2044	**2,372**	2,379
$2 billion 3.95 per cent subordinated debt 2023	**1,971**	1,985
$1.25 billion 4 per cent subordinated notes 2022 (callable 2017)	**1,249**	1,247
$1 billion 5.7 per cent subordinated notes 2022	**996**	1,003
$1 billion 5.2 per cent subordinated debt 2024	**1,027**	996
$750 million 5.3 per cent subordinated debt 2043	**788**	789
$1.25 billion 4.3 percent subordinated debt 2027	**1,220**	–
€1.25 billion 4 per cent subordinated debt 2025 (callable 2020)	**1,387**	1,420
€750 million 3.625 per cent subordinated notes 2022	**852**	858
€500 million 3.125 per cent subordinated debt 2024	**543**	535
SGD 700 million 4.4 per cent subordinated notes 2026 (callable 2021)	**473**	473
Other subordinated borrowings – issued by Company[1]	**283**	329
	14,644	13,760
Total for Group	**19,523**	21,852

1. Other borrowings comprise irredeemable sterling preference shares (note 27). In the balance sheet of the Company the amount recognised is $221 million (2015: $305 million) with the difference being the effect of hedge accounting achieved on a Group basis

26. SUBORDINATED LIABILITIES AND OTHER BORROWED FUNDS continued

	2016				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	10,132	3,010	3,979	970	18,091
Floating rate subordinated debt	1,381	15	–	36	1,432
Total	11,513	3,025	3,979	1,006	19,523

	2015				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	10,899	4,818	4,093	1,724	21,534
Floating rate subordinated debt	238	45	–	35	318
Total	11,137	4,863	4,093	1,759	21,852

Repurchases during the year

On 23 March 2016, Standard Chartered Bank repurchased the below listed subordinated debt securities as a result of the tender offer announced on 11 March 2016:

- $503.1 million of $1 billion 6.4 per cent subordinated notes 2017
- $145.9 million of $700 million 8.0 per cent subordinated notes 2031
- £172.7 million of £675 million 5.375 per cent undated step up subordinated notes (callable 2020)
- £65.5 million of £200 million 7.75 per cent undated step up subordinated notes (callable 2022)

On 23 March 2016, Standard Chartered PLC repurchased the below listed primary capital floating rate notes as a result of the tender offer announced on 11 March 2016:

- $27.7 million of $400 million primary capital floating rate notes
- $11.4 million of $300 million primary capital floating rate notes (Series 2)
- $14.3 million of $400 million primary capital floating rate notes (Series 3)
- $24.1 million of $200 million primary capital floating rate notes (Series 4)
- £18.6 million of £150 million primary capital floating rate notes

On 11 May 2016, Standard Chartered Bank exercised it rights to redeem its £600 million 8.103 per cent step up callable perpetual preferred securities in full on the first call date.

On 28 October 2016, Standard Chartered Bank Hong Kong exercised it rights to redeem its SGD 750 million 4.15 per cent subordinated notes in full on the first call date.

On 6 December 2016, Standard Chartered Bank Korea exercised it rights to redeem its KRW 270 billion 4.67 per cent subordinated debt in full on the first call date.

On 6 December 2016, Standard Chartered Bank Uganda exercised it rights to redeem its UGX 40 billion 13.0 per cent subordinated debt in full on the first call date.

Issuance during the year

On 19 August 2016, Standard Chartered PLC issued $1.25 billion 4.3 per cent subordinated notes due 2027.

27. SHARE CAPITAL, OTHER EQUITY AND RESERVES

Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

27. SHARE CAPITAL, OTHER EQUITY AND RESERVES continued

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] $million	Share premium[2] $million	Total share capital and share premium $million	Other equity instruments $million
At 1 January 2015	2,473	1,236	5,483	6,719	–
Capitalised on scrip dividend	71	36	(36)	–	–
Shares issued	734	367	2	369	–
Additional Tier 1 equity issuance	–	–	–	–	1,987
At 31 December 2015	**3,278**	**1,639**	**5,449**	**7,088**	**1,987**
Shares issued	**6**	**3**	**–**	**3**	**–**
Additional Tier 1 equity issuance	**–**	**–**	**–**	**–**	**1,982**
At 31 December 2016	**3,284**	**1,642**	**5,449**	**7,091**	**3,969**

1. Issued and fully paid ordinary shares of 50 cents each
2. Includes $1,494 million of share premium relating to preference capital

Ordinary share capital

In accordance with the Companies Act 2006 the Company does not have authorised share capital. The nominal value of each ordinary share is 50 cents.

During the year 6,275,370 shares were issued under employee share plans at prices between nil and 937.53 pence.

Preference share capital

At 31 December 2015 and 2016, the Company has 15,000 $5 non-cumulative redeemable preference shares in issue, with a premium of $99,995 making a paid up amount per preference share of $100,000. The preference shares are redeemable at the option of the Company and are classified in equity.

The available profits of the Company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or pari passu with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or pari passu with, the holders of any other shares in issue, for an amount equal to any dividends accrued and/or payable and the nominal value of the shares together with any premium as determined by the Board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

Other equity instruments

On 2 April 2015 Standard Chartered PLC issued $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as Additional Tier 1 (AT1) securities, raising $1,987 million after issue costs. On 18 August 2016, Standard Chartered PLC issued a further $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising $1,982 million after issue costs. Both issuances were made for general business purposes and to increase the regulatory capital base of the Group.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of Standard Chartered PLC in whole but not in part, on the first interest reset date and each date falling five years after the first reset date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest to (but excluding) the date fixed for redemption. Any redemption is subject to Standard Chartered PLC giving notice to the relevant regulator and the regulator granting permission to redeem
- The interest rate in respect of the securities issued on 2 April 2015 for the period from (and including) the issue date to (but excluding) 2 April 2020 is a fixed rate of 6.50 per cent per annum. The first reset date for the interest rate is 2 April 2020 and each date falling five years, or an integral multiple of five years, after the first reset date
- The interest rate in respect of the securities issued on 18 August 2016 for the period from (and including) the issue date to (but excluding) 2 April 2022 is a fixed rate of 7.50 per cent per annum. The first reset date for the interest rate is 2 April 2022 and each date falling five years, or an integral multiple of five years, after the first reset date
- The interest on each of the securities will be payable semi-annually in arrears on 2 April and 2 October in each year, accounted for as a dividend
- Interest on the securities is due and payable only at the sole and absolute discretion of Standard Chartered PLC, subject to certain additional restrictions set out in the terms and conditions. Accordingly, Standard Chartered PLC may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date
- The securities convert into ordinary shares of Standard Chartered PLC, at a pre-determined price, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 443 million ordinary shares would be required to satisfy the conversion of both sets of securities
- The securities rank behind the claims against Standard Chartered PLC of (a) unsubordinated creditors, (b) which are expressed to be subordinated to the claims of unsubordinated creditors of Standard Chartered PLC but not further or otherwise; or (c) which are, or are expressed to be, junior to the claims of other creditors of Standard Chartered PLC, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the AT1 securities in a winding–up occurring prior to the conversion trigger

27. SHARE CAPITAL, OTHER EQUITY AND RESERVES continued

Reserves

The constituents of the reserves are summarised as follows:

- Capital Reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed
- Merger reserve represents the premium arising on shares issued using a cash box financing structure, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of certain acquisitions, in 2008, 2010 and 2015 for the shares issued by way of a rights issue, and for the shares issued in 2009 in the placing. The funding raised by the 2008 and 2010 rights issues and 2009 share issue was fully retained within the Company. Of the 2015 funding, $1.5 billion was used to subscribe to additional equity in Standard Chartered Bank, a wholly owned subsidiary of the Company
- Own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Following the Group's decision to early apply this IFRS 9 requirement the cumulative own credit adjustment component of financial liabilities designated at fair value through profit or loss has been transferred from opening retained earnings to the OCA reserve. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings
- Available-for-sale reserve represents the unrealised fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired
- Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit or loss or when a forecast transaction is no longer expected to occur
- Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations
- Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions and own shares held (treasury shares)

A substantial part of the Group's reserves are held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 31 December 2016, the distributable reserves of Standard Chartered PLC (the Company) were $15.2 billion (2015: $15.2 billion). These comprised retained earnings and $12.5 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is $27 million (2015: $27 million).

Own shares

Computershare Trustees (Jersey) Limited is the trustee of the 2004 Employee Benefit Trust ('2004 Trust') and Ocorian Trustees (Jersey) Limited (formerly known as Bedell Trustees Limited) is the trustee of the 1995 Employees' Share Ownership Plan Trust ('1995 Trust'). The 2004 Trust is used in conjunction with the Group's employee share schemes and the 1995 Trust is used for the delivery of other employee share-based payments (such as upfront shares and fixed pay allowances). Group companies fund these trusts from time to time to enable the trustees to acquire shares to satisfy these arrangements.

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

	1995 Trust		2004 Trust		Total	
Number of shares	**2016**	2015	**2016**	2015	**2016**	2015
Shares purchased during the year	**6,160,185**	6,448,053	**–**	439,906	**6,160,185**	6,887,959
Market price of shares purchased ($million)	**51**	63	**–**	5	**51**	68
Shares held at the end of the year	**6,104,154**	4,861,846	**78,313**	137,850	**6,182,467**	4,999,696
Maximum number of shares held during the year					**6,183,210**	7,517,013

28. NON-CONTROLLING INTERESTS

Accounting policy

Non-controlling interests are measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

	$million
At 1 January 2015	306
Expenses in equity attributable to non-controlling interests	(38)
Loss attributable to non-controlling interests	(2)
Comprehensive loss for the year	(40)
Distributions	(26)
Other increases[1]	81
At 31 December 2015	**321**
Expenses in equity attributable to non-controlling interests	**(11)**
Profits attributable to non-controlling interests	**56**
Comprehensive income for the year	**45**
Distributions	**(37)**
Other decreases[2]	**(8)**
At 31 December 2016	**321**

1. Additional investment from non-controlling interests in one of the Group's subsidiary undertakings
2. Predominantly due to completion of sale of businesses with non-controlling interest in Pakistan and issuance of shares to non-controlling interest in Angola

29. RETIREMENT BENEFIT OBLIGATIONS

Accounting policy

The Group operates a number of pension and other post-retirement benefit plans around the world, including defined contribution plans and defined benefit plans. For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid. For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability. Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payment. Net interest expense and other expense related to defined benefit plans are recognised in the income statement.

Significant accounting estimates and judgements

There are many factors that affect the measurement of retirement benefit obligations as it requires the use of assumptions which are inherently uncertain; the sensitivity of the liabilities to changes in these assumptions is shown in the note below.

Retirement benefit obligations comprise:

	2016 $million	2015 $million
Defined benefit plans obligation	**495**	422
Defined contribution plans obligation	**30**	23
Net obligation	**525**	445

Retirement benefit charge comprises:

	2016 $million	2015 $million
Defined benefit plans	**85**	96
Defined contribution plans	**231**	203
Charge against profit (note 7)	**316**	299

The Group operates 50 defined benefit plans across its geographies, many of which are closed to new entrants who now join defined contribution arrangements. The aim of all these plans is to give employees the opportunity to save appropriately for retirement in a way that is consistent with local regulations, taxation requirements and market conditions. The defined benefit plans expose the Group to currency risk, interest rate risk, investment risk and actuarial risks such as longevity risk.

29. RETIREMENT BENEFIT OBLIGATIONS continued

The material holdings of government and corporate bond holdings shown in the asset table below partially hedge movements in the liabilities resulting from interest rate changes. Setting aside movements from other drivers such as currency fluctuation, the falls in discount rates in most geographies over 2016 have led to higher liabilities. These have been somewhat offset by rises in the value of bonds held. These movements are shown as actuarial losses versus gains respectively in the tables below.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2016.

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan, representing 60 percent of total pension liabilities, and provides pensions based on 1/60th of final salary per year of service, normally payable from age 60. The UK Fund is set up under a Trust that is legally separate from the Bank (its formal sponsor) and, as required by UK legislation, at least one third of the Trustee Directors are nominated by members; the remainder are appointed by the Bank. The Trustee Directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The most recent funding valuation was performed as at 31 December 2014 by A Zegleman, Fellow of the Institute and Faculty of Actuaries, of Willis Towers Watson, using the projected unit method and assumptions different from those below. To repair the $89 million (£72 million) past service deficit identified as at 31 December 2014, four annual cash payments of $15.5 million (£12.6 million) were agreed, starting in January 2016. The agreement allows that if the funding position improves more quickly than expected, the three payments from January 2017 could be reduced or eliminated. The actuarial assessment that applied to the January 2017 payment did not allow for a reduction, so the full £12.6 million was paid into the Fund on 16 January 2017. In addition, an escrow account of $136 million (£110 million) exists to provide security for future contributions. Following the 31 December 2014 valuation, regular contributions to the UK Fund were set at 32 per cent of pensionable salary for all members. The next valuation is due as at 31 December 2017.

With effect from 1 July 1998, the UK Fund was closed to new entrants and new employees are offered membership of a defined contribution plan. Over 85 per cent of the Fund's liabilities now relate to pensioners or ex-employees who have left the Group but have not yet retired. As at 31 December 2016, the weighted-average duration of the UK Fund was 16 years (2015: 15 years).

The Bank is not required to recognise any additional liability under IFRIC 14 or the current exposure draft of proposed amendments to it, as it has control of any pension surplus.

Overseas plans

The principal overseas defined benefit arrangements operated by the Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the United States (US).

Key assumptions

The principal financial assumptions used at 31 December 2016 were:

	Funded plans			
	UK Fund[1]		Overseas plans[2]	
	2016 %	2015 %	**2016 %**	2015 %
Price inflation	**2.1**	1.9	**1.0 – 5.0**	1.0 – 5.0
Salary increases	**2.1**	1.9	**2.1 – 6.5**	1.9 – 6.5
Pension increases	**2.1**	1.9	**1.5 – 3.2**	1.3 – 3.0
Discount rate	**2.7**	3.7	**1.3 – 6.9**	1.0 – 8.1

1. The assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 28 years (2015: 28 years) and a female member 29 years (2015: 29 years) and a male member currently aged 40 will live for 30 years (2015: 30 years) and a female member 31 years (2015: 31 years) after their 60th birthdays
2. The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, Hong Kong, India, Jersey, Korea, Taiwan and the US. These comprise over 85 per cent of the total liabilities of funded overseas plans

These assumptions are likely to change in the future and this will affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

- If the discount rate increased by 25 basis points the liability would reduce by approximately $70 million for the UK Fund and $35 million for the other plans
- If the rate of inflation and pension increases by 25 basis points the liability would increase by approximately $45 million for the UK Fund and $10 million for the other plans
- If the rate salaries increase compared to inflation by 25 basis points the liability would increase by approximately $6 million for the UK Fund and $10 million for the other plans
- If longevity expectations increased by one year the liability would increase by approximately $35 million for the UK Fund and $10 million for the other plans

Although this analysis does not take account of the full distribution of cash flows expected under the UK Fund, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

29. RETIREMENT BENEFIT OBLIGATIONS continued

	Unfunded plans			
	Post-retirement medical[1]		Other[2]	
	2016 %	2015 %	2016 %	2015 %
Price inflation	2.5	2.5	2.0 – 5.0	1.9 – 5.0
Salary increases	4.0	4.0	2.1 – 6.5	1.9 – 6.5
Pension increases	N/A	N/A	0.0 – 2.1	0.0 – 1.9
Discount rate	4.4	4.6	2.7 – 8.4	2.5 – 8.2
Post-retirement medical rate	9% in 2016 reducing by 1% per annum to 5% in 2020	8% in 2015 reducing by 1% per annum to 5% in 2018	N/A	N/A

1. The post-retirement medical plan is in the US
2. The range of assumptions shown is for the main unfunded plans in India, Indonesia, Korea, Thailand, UAE and the UK. They comprise over 85 per cent of the total liabilities of unfunded plans

Fund values

The fair value of assets and present value of liabilities of the plans attributable to defined benefit members were:

	2016				2015			
	Funded plans		Unfunded plans		Funded plans		Unfunded plans	
At 31 December	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million
Equities	191	291	N/A	N/A	176	267	N/A	N/A
Government Bonds	642	153	N/A	N/A	686	164	N/A	N/A
Corporate Bonds	169	81	N/A	N/A	192	68	N/A	N/A
Absolute Return Fund	148	–	N/A	N/A	187	–	N/A	N/A
Hedge Funds[1]	187	–	N/A	N/A	189	–	N/A	N/A
Insurance linked funds[1]	29	–	N/A	N/A	56	–	N/A	N/A
Opportunistic credit[1]	61	–	N/A	N/A	79	–	N/A	N/A
Property	70	4	N/A	N/A	71	5	N/A	N/A
Derivatives	(16)	–	N/A	N/A	(11)	–	N/A	N/A
Cash and equivalents	52	160	N/A	N/A	49	197	N/A	N/A
Others[1]	8	30	N/A	N/A	9	25	N/A	N/A
Total fair value of assets[2]	1,541	719	N/A	N/A	1,683	726	N/A	N/A
Present value of liabilities[3]	(1,657)	(878)	(22)	(198)	(1,719)	(901)	(24)	(187)
Net pension liability	(116)	(159)	(22)	(198)	(36)	(175)	(24)	(187)

1. Unquoted assets
2. Self investment is monitored closely and is less than $2 million of Standard Chartered equities and bonds for 2016 (2015: $2 million). Self investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index
3. Includes $nil million (2015: $nil million) impact as a result of unrecognisable surplus in Kenya

29. RETIREMENT BENEFIT OBLIGATIONS continued

The pension cost for defined benefit plans was:

2016	Funded plans: UK Fund $million	Funded plans: Overseas plans $million	Unfunded plans: Post-retirement medical $million	Unfunded plans: Other $million	Total $million
Current service cost	5	52	1	17	75
Past service cost and curtailments	–	(7)	–	3	(4)
Gain on settlements[1]	–	(1)	–	–	(1)
Interest income on pension plan assets	(56)	(22)	–	–	(78)
Interest on pension plan liabilities	57	27	1	8	93
Total charge to profit before deduction of tax	6	49	2	28	85
Return on plan assets excluding interest income[2]	(139)	(18)	–	–	(157)
Losses/(gains) on liabilities	239	12	(4)	15	262
Total losses/(gains)recognised directly in statement of comprehensive income before tax	100	(6)	(4)	15	105
Deferred taxation	–	(2)	–	–	(2)
Total losses/(gains) after tax	100	(8)	(4)	15	103

1. These movements reflect a reduction in workforce in a number of geographies as a result of the restructuring actions of the Group
2. The actual return on the UK fund assets was $195 million and on overseas plan assets was $40 million

2015	Funded plans: UK Fund $million	Funded plans: Overseas plans $million	Unfunded plans: Post-retirement medical $million	Unfunded plans: Other $million	Total $million
Current service cost	7	62	1	21	91
Past service cost and curtailments	–	(2)	–	–	(2)
Gain on settlements	–	(7)	–	–	(7)
Interest income on pension plan assets	(64)	(24)	–	–	(88)
Interest on pension plan liabilities	63	29	1	9	102
Total charge to loss before deduction of tax	6	58	2	30	96
Return on plan assets excluding interest income	45	22	–	–	67
Losses/(gains) on liabilities	2	7	(4)	(15)	(10)
Total losses/(gains) recognised directly in statement of comprehensive income before tax	47	29	(4)	(15)	57
Deferred taxation	15	(5)	–	–	10
Total losses/(gain) after tax	62	24	(4)	(15)	67

1. The actual return on the UK fund assets was $19 million and on overseas plan assets was $2 million

29. RETIREMENT BENEFIT OBLIGATIONS continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	**Overseas plans $million**	**Post-retirement medical $million**	**Other $million**	**Total $million**
Deficit at 1 January	**(36)**	**(175)**	**(24)**	**(187)**	**(422)**
Contributions	**20**	**60**	**–**	**18**	**98**
Current service cost	**(5)**	**(52)**	**(1)**	**(17)**	**(75)**
Past service cost and curtailments	**–**	**7**	**–**	**(3)**	**4**
Settlement costs and transfers impact	**–**	**1**	**–**	**–**	**1**
Net interest on the net defined benefit asset/liability	**(1)**	**(5)**	**(1)**	**(8)**	**(15)**
Actuarial (losses)/gains	**(100)**	**6**	**4**	**(15)**	**(105)**
Exchange rate adjustment	**6**	**(1)**	**–**	**14**	**19**
Deficit at 31 December	**(116)**	**(159)**	**(22)**	**(198)**	**(495)**

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Deficit at 1 January	10	(178)	(27)	(196)	(391)
Contributions	7	81	1	20	109
Current service cost	(7)	(62)	(1)	(21)	(91)
Past service cost and curtailments	–	2	–	–	2
Settlement costs	–	7	–	–	7
Net interest on the net defined benefit asset/liability	1	(5)	(1)	(9)	(14)
Actuarial (losses)/gains	(47)	(29)	4	15	(57)
Exchange rate adjustment	–	9	–	4	13
Deficit at 31 December	(36)	(175)	(24)	(187)	(422)

The Group's expected contribution to its defined benefit pension plans in 2017 is $80 million.

	2016			2015		
	Assets $million	**Obligations $million**	**Total $million**	Assets $million	Obligations $million	Total $million
Deficit at 1 January	**2,409**	**(2,831)**	**(422)**	2,634	(3,025)	(391)
Contributions[1]	**99**	**(1)**	**98**	110	(1)	109
Current service cost[2]	**–**	**(75)**	**(75)**	–	(91)	(91)
Past service cost and curtailments	**–**	**4**	**4**	–	2	2
Settlement costs	**(13)**	**14**	**1**	(46)	53	7
Interest cost on pension plan liabilities	**–**	**(93)**	**(93)**	–	(102)	(102)
Interest income on pension plan assets	**78**	**–**	**78**	88	–	88
Benefits paid out[2]	**(175)**	**175**	**–**	(196)	196	–
Actuarial gains/(losses)[3]	**157**	**(262)**	**(105)**	(67)	10	(57)
Exchange rate adjustment	**(295)**	**314**	**19**	(114)	127	13
Deficit at 31 December	**2,260**	**(2,755)**	**(495)**	2,409	(2,831)	(422)

1. Includes employee contributions of $1 million (2015: $1 million)
2. Includes administrative expenses paid out of plan assets of $1 million (2015: $1 million)
3. Actuarial (loss)/gain on obligation comprises $284 million loss (2015: $42 million gain) from financial assumption changes, $8 million gain (2015: $5 million gain) from demographic assumption changes and $14 million gain (2015: $37 million loss) from experience

30. SHARE-BASED PAYMENTS

Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for awards granted in 2016 in respect of 2015 performance, which vest in 2017-2019, is recognised as an expense over the period from 1 January 2015 to the vesting dates in 2017-2019. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. The Company records the value of the equity-settled awards as a deemed investment in subsidiaries. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2016[1]			2015[1]		
	Cash $million	Equity $million	Total $million	Cash[2] $million	Equity $million	Total $million
Deferred share awards	8	26	34	(18)	119	101
Other share awards	5	61	66	(5)	50	45
Total share-based payments	13	87	100	(23)	169	146

1. No forfeiture assumed
2. The credit charge for cash settled awards in 2015 reflects a reduction in expected liability in line with the movement in share price

2011 Standard Chartered Share Plan (the '2011 Plan')

The 2011 Plan was approved by shareholders in May 2011 and is the Group's main share plan. Since approval, it has been used to deliver various types of share awards:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) with a common equity tier 1 (CET1) underpin; strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice
- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures
- Underpin shares are subject to a combination of two performance measures: EPS growth and return on RoRWA. The weighting between the two elements is split equally, one-half of the award depending on each measure, assessed independently. These awards vest after three or five years. Underpin shares formed part of the variable remuneration awarded to executive directors and senior management in respect of 2014 performance

Under the 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2011 Plan during which new awards can be made is four years.

30. SHARE-BASED PAYMENTS continued

Valuation – LTIP awards

The vesting of awards granted in 2016 is subject to the satisfaction of RoE (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoE and strategic measures in the scorecard, to determine the accounting charge.

The vesting of awards granted in 2015 is subject to the satisfaction of EPS growth, RoRWA and relative TSR performance measures. The fair value of the TSR component was derived by the probability of meeting the condition over a three-year performance period, calculated by the area under the TSR vesting schedule curve. The number of shares expected to vest based on the performance of the EPS growth and RoRWA conditions is assessed at each reporting date to determine the accounting charge. Dividend equivalents accrue on these awards during the vesting period, so no discount is applied.

	2016			2015
Grant date	**15 June**	**4 May**	**11 March**	19 March
Share price at grant date (£)	**5.05**	**5.08**	**4.68**	10.51
Vesting period (years)	**3**	**3, 3-7**	**3**	5
Expected dividend yield (%)	**N/A**	**N/A**	**N/A**	N/A[1]
Fair value (RoE) (£)	**1.68**	**1.69, 1.69**	**1.56**	
Fair value (TSR) (£)	**1.24**	**1.25, 1.12**	**1.15**	1.08
Fair value (Strategic) (£)	**1.68**	**1.69, 1.69**	**1.56**	
Fair value (EPS) (£)				2.65
Fair value (RoRWA) (£)				2.65

1. The expected dividend yield for the PSA 2015 (grant date 19 March) has been amended to N/A as dividend equivalents were accrued

Valuation – deferred shares and restricted shares

The fair value for all employees is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends.

Deferred shares and underpin shares accrue dividend equivalent payments during the vesting period. The expected dividend yield assumption is based on a historical average over a period commensurate with this 'average' period until vesting, or over one year if the average period until vesting is less than one year.

Details of deferred, underpin and LTIP awards for executive directors can be found in the Directors' remuneration report.

Deferred share awards[1]

	2016					2015	
Grant date	**30 November**	**4 October**	**15 June**	**4 May**	**11 March**	17 June	19 March
Share price at grant date (£)	**6.41**	**6.50**	**5.05**	**5.08**	**4.68**	10.28	10.51
Vesting period	**Fair value (£)**	**Fair value (£)**	**Fair value (£)**	**Fair value (£)**	**Fair value (£)**	Fair value (£)	Fair value (£)
1-3 years	**6.41**	**6.50**	**5.05**	**5.08**	**4.68**	10.28	10.51
3 year	**–**	**–**	**–**	**–**	**–**	–	10.51
1-5 years	**–**	**–**	**–**	**–**	**–**	10.28	10.51
5 year	**–**	**–**	**–**	**–**	**–**	–	10.51

1. Deferred shares include 88,024 underpin shares, granted on 19 March 2015, with three- and five-year cliff vesting. Valuation as per deferred shares granted on the same date

30. SHARE-BASED PAYMENTS continued

Other restricted share awards

	2016									
Grant date	**30 November**		**4 October**		**15 June**		**4 May**		**11 March**	
Share price at grant date (£)	**6.41**		**6.50**		**5.05**		**5.08**		**4.68**	
Vesting period	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1 year	**–**	**6.41**	**–**	**6.50**	**–**	**–**	**–**	**–**	**–**	**–**
2 year	**2.4**	**6.11**	**2.4**	**6.20**	**–**	**–**	**–**	**–**	**–**	**–**
2-3 years	**2.5**	**6.03**	**2.5**	**6.11**	**3.6**	**4.62**	**3.6**	**4.65**	**3.5**	**4.30**
3 year	**3.0**	**5.87**	**3.0**	**5.95**	**–**	**–**	**3.4**	**4.60**	**–**	**–**
2-4 years	**–**	**–**	**–**	**–**	**–**	**–**	**3.8**	**4.65**	**–**	**–**
1-4 years	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3.5**	**4.30**
4 year	**–**	**–**	**3.1**	**5.76**	**–**	**–**	**3.4**	**4.44**	**–**	**–**

	2015							
Grant date	1 December		22 September		17 June		19 March	
Share price at grant date (£)	5.57		6.73		10.28		10.51	
Vesting period	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
2-3 years	6.4	4.77	6.4	5.77	7.0	8.68	7.0	8.88
2-4 years	–	–	6.4	5.77	–	–	–	–
1-4 years	–	–	6.4	5.77	–	–	–	–

2001 Performance Share Plan ('2001 PSP') – now closed to new grants

The Group's previous plan for delivering performance shares was the 2001 PSP and there remain outstanding vested awards. Under the 2001 PSP half the award was dependent upon TSR performance and the balance was subject to a target of defined EPS growth. Both measures used the same three-year period and were assessed independently.

2006 Restricted Share Scheme ('2006 RSS')/2007 Supplementary Restricted Share Scheme ('2007 SRSS')

The Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS both now replaced by the 2011 Plan. There remain outstanding vested awards under these plans. Awards were generally in the form of nil cost options and did not have any performance measures. Generally deferred restricted share awards vested equally over three years and for non-deferred awards half vested two years after the date of grant and the balance after three years. No further awards will be granted under the 2006 RSS and 2007 SRSS.

All Employee Sharesave Plans (comprised of the '2004 International Sharesave Plan', the '2004 UK Sharesave Plan' and the '2013 Sharesave Plan')

Under the All Employee Sharesave Plans, employees may open a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the All Employee Sharesave Plans and no grant price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries the Group offers an equivalent cash-based plan to its employees. The 2004 International Sharesave and the 2004 UK Sharesave plans are now closed and no further awards will be granted under these plans.

The 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is six years.

Valuation – Sharesave

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

All Employee Sharesave Plan (Sharesave)

	2016	2015
Grant date	**4 October**	7 October
Share price at grant date (£)	**6.50**	7.41
Exercise price (£)[1]	**5.30**	5.86
Vesting period (years)	**3**	3
Expected volatility (%)	**34.2**	28.0
Expected option life (years)	**3.33**	3.33
Risk-free rate (%)	**0.13**	0.9
Expected dividend yield (%)	**3.04**	6.3
Fair value (£)	**1.71**	1.40

1. For Sharesave granted in 2015 the exercise prices have been adjusted downwards to reflect the rights issue by approximately 5.06 per cent (the adjusted exercise price is £5.58 for 2015)

30. SHARE-BASED PAYMENTS continued

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant.

Reconciliation of option movements for the year to 31 December 2016

	2011 Plan[1]						
	Performance shares	Deferred/ restricted shares	PSP[1]	RSS[1]	SRSS[1]	Sharesave	Weighted average exercise price (£)
Outstanding as at 1 January	9,658,733	23,108,554	103,768	1,150,866	140,110	15,341,808	7.87
Granted[2]	25,319,833[3]	8,457,559[4]	–	–	–	3,801,733	5.30
Lapsed	(6,074,460)	(1,585,856)	(14,007)	(121,803)	(348)	(5,851,915)	8.83
Exercised	(163,492)	(5,771,269)	(12,784)	(327,460)	(59,463)	(365)	5.67
Outstanding as at 31 December	28,740,614	24,208,988	76,977	701,603	80,299	13,291,261	6.72
Exercisable as at 31 December	145,928	5,745,431	76,977	701,603	80,299	1,484,146	10.98
Range of exercise prices (£)[2]	–	–	–	–	–	5.30–11.21	–
Intrinsic value of vested but not exercised options ($million)	0.1	3.6	0.1	0.4	0.1	0.0	–
Weighted average contractual remaining life (years)	8.88	8.15	2.02	0.90	0.45	2.31	–
Weighted average share price for options exercised during the period (£)	4.89	5.21	6.23	5.49	6.02	5.85	–

1. Employees do not contribute towards the cost of these awards
2 For Sharesave granted in 2016 the exercise price is £5.30 per share, which was the average of the closing prices over the five days to the invitation date of 5 September. The closing share price on 2 September 2016 was £6.614
3. 23,437,968 granted on 11 March 2016, 922 (notional dividend) granted on 19 March 2016, 1,810,435 granted on 4 May 2016, 70,508 granted on 15 June 2016
4. 7,134,374 granted on 11 March 2016, 34,643 (notional dividend) granted on 11 March 2016, 52,514 (notional dividend) granted on 13 March 2016, 94,242 (notional dividend) granted on 19 March 2016, 600,413 granted on 4 May 2016, 21,991 granted on 15 June 2016, 187 (notional dividend) granted on 17 June 2016, 35 (notional dividend) granted on 18 June 2016, 14 (notional dividend) granted on 19 June 2016, 434,555 granted on 4 October 2016, and 84,591 granted on 30 November 2016

Reconciliation of option movements for the year to 31 December 2015

	2011 Plan[1]						
	Performance shares	Deferred/ restricted shares	PSP[1]	RSS[1]	SRSS[1]	Sharesave	Weighted average exercise price (£)
Outstanding as at 1 January	14,277,137	18,235,300	249,645	2,245,347	663,148	14,017,543	10.91
Granted[2]	83,787[4]	11,654,081[5]	–	–	–	7,744,134	5.86
Additional shares for rights issue[3]	466,018	1,114,589	4,986	55,669	6,761	782,130	–
Lapsed	(4,696,340)	(840,478)	(78,787)	(472,152)	(386,668)	(6,979,307)	10.74
Exercised	(471,869)	(7,054,938)	(72,076)	(677,998)	(143,131)	(222,692)	10.66
Outstanding as at 31 December	9,658,733	23,108,554	103,768	1,150,866	140,110	15,341,808	7.87
Exercisable as at 31 December	324,373	3,475,711	103,768	1,150,866	140,110	1,685,205	11.31
Range of exercise prices (£)[2]	–	–	–	–	–	5.58–13.93	–
Intrinsic value of vested but not exercised options ($million)	0.1	1.7	0.2	0.5	0.1	–	–
Weighted average contractual remaining life (years)	7.7	5.4	2.6	1.6	1.4	2.6	–
Weighted average share price for options exercised during the period (£)	10.02	9.78	9.13	9.66	10.00	10.82	–

1. Employees do not contribute towards the cost of these awards
2. For Sharesave granted in 2015 the exercise price has been adjusted downwards to reflect the rights issue by approximately 5.06 per cent (the adjusted exercise price is £5.58)
3. For grants awarded prior to the announcement of the rights issue and which had not been exercised or lapsed as of 23 November 2015, the number of shares under award has been adjusted upwards to reflect the rights issue by approximately 5.06 per cent. The adjustment follows the standard approach that companies apply to employee shares awards in the event of a rights issue. The adjustment compensates participants for their inability to participate in the rights issue in relation to their outstanding employee share awards
4. 83,787 granted on 19 March 2015
5. 9,426,009 granted on 19 March 2015, 781,538 (notional dividend) granted on 13 March 2015, 140,722 granted on 17 June 2015, 2,572 (notional dividend) granted on 18 June 2015, 261 (notional dividend) granted on 19 September 2015, 1,215,196 granted on 22 September 2015, and 87,783 granted on 1 December 2015

31. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES

Accounting policy

Subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is re-measured to its fair value and the change in carrying amount is recognised in the income statement.

Associates and joint arrangements

Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. As at 31 December 2016, the Group did not have any contractual interest in joint operations.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss). The Group's share of its associates' and joint ventures' post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. At each balance sheet date the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

Significant accounting estimates and judgements

Impairment testing of investments in associates and joint arrangements is based on judgements including the basis of assumptions and forecasts used for estimating the expected cash flows from the investments and in the calculations of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see note 17 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014) and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not re-measured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity. Where a business combination is achieved in stages, the previously held equity interest is re-measured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Investment in subsidiary undertakings

	2016 $million	2015 $million
As at 1 January	**28,381**	24,881
Additions	**5,500**	3,500
Disposal	**(28)**	–
As at 31 December	**33,853**	28,381

31. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES continued

At 31 December 2016, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	The UK, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100
Standard Chartered Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank (China) Limited, China	China	100
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.99
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.30
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100

A complete list of subsidiary undertakings is included in note 39.

The Group does not have any material non-controlling interests in any of its subsidiaries except the 25.7 per cent non-controlling interests amounting to $103 million (2015: $95 million) in Standard Chartered Bank Kenya Limited. This country contributes 3.9 per cent of the Group's operating profit and 0.4 per cent of the Group's assets.

Whilst the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised as follows:

- **Regulatory and liquidity requirements:** The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company

  The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2016, the total cash and balances with central bank was $71 billion (2015: $65 billion) of which $9 billion (2015: $9 billion) is restricted. See liquid asset disclosure on page 176
- **Statutory requirements:** The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends
- **Contractual requirements:** The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group. Encumbered assets are disclosed on page 177. In addition the securitised assets disclosed in note 16 have legal restrictions

Interests in joint ventures

	PT Bank Permata Tbk and Others	
	2016 $million	2015 $million
As at 1 January	**679**	751
Exchange translation difference	**13**	(74)
Additions	**238**	–
Share of (loss)/profit	**(215)**	9
Dividends received	**–**	(6)
Share of AFS and other reserves	**(2)**	(1)
As at 31 December	**713**	679

The Group's principal joint venture is PT Bank Permata Tbk (Permata). The Group has a 44.56 per cent (2015: 44.56 per cent) interest through a (joint venture) company which holds a majority investment in Permata. Permata provides financial services to the consumer and commercial segment in Indonesia. The Group's share of (loss)/profit of Permata amounts to $(215) million (2015: $9 million) and the Group share of net assets was $705 million (2015: $672 million). On 16 February 2017 Permata announced plans for a IDR3 trillion (approximately $225 million) rights issue to drive growth. The Group is committed to participating in this capital raising and its share would be approximately $100 million. In December 2016 the Group made a capital advance to Permata of approximately $50 million and this is expected to be utilised in the 2017 rights issue.

31. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES continued

The following table sets out the summarised financial statements of Permata Tbk prior to the Group's share of joint ventures being applied:

	2016 $million	2015 $million
Current assets	**6,484**	8,918
Non-current assets	**5,697**	4,183
Current liabilities	**(9,896)**	(10,739)
Non-current liabilities	**(963)**	(1,107)
Net assets	**1,322**	1,255
Operating income	**608**	623
Of which:		
Interest income	**1,083**	1,205
Interest expense	**(641)**	(742)
Expenses	**(329)**	(573)
Impairment	**(923)**	(25)
Operating profit	**(644)**	25
Taxation	**161**	(5)
(Loss)/profit after tax	**(483)**	20
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,964**	1,814
Other comprehensive (loss) for the year	**(4)**	–
Total comprehensive (loss)/income for the year	**(487)**	20
Dividends received from the joint venture during the year	**–**	(6)

In December 2016 Permata established a portfolio of non-performing loans that are beyond its risk appetite which are to be liquidated. This resulted in an incremental impairment of $140 million, representing the difference between the carrying amount of the liquidation portfolio on a hold to collect basis and the amount expected to be realised upon liquidation. This is consistent with the Group's restructuring actions. Accordingly, the Group has recorded its $62 million share of this incremental impairment as restructuring and it has been normalised from the underlying results of the Group.

Non-current assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

Reconciliation of the net assets above to the carrying amount of the investments in Permata Tbk recognised in the consolidated financial statements:

	2016 $million	2015 $million
Net assets of PT Bank Permata Tbk	**1,322**	1,255
Proportion of the Group's ownership interest in joint ventures	**589**	559
Notional goodwill	**116**	113
Carrying amount of the Group's interest in PT Bank Permata Tbk	**705**	672

Interests in associates

	China Bohai Bank		Asia Commercial Bank (ACB)[1]		Other		Total	
	2016 $million	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million	**2016 $million**	2015 $million
As at 1 January	**1,099**	987	**125**	174	**34**	50	**1,258**	1,211
Exchange translation differences	**(75)**	(63)	**–**	(4)	**(1)**	–	**(76)**	(67)
Additions	**–**	–	**–**	–	**–**	–	**–**	–
Share of profits	**167**	173	**8**	7	**3**	3	**178**	183
Disposals	**–**	–	**–**	–	**–**	(18)	**–**	(18)
Dividends received	**–**	–	**–**	(5)	**(3)**	(1)	**(3)**	(6)
Share of other reserves	**(9)**	2	**–**	(1)	**–**	–	**(9)**	1
Impairment	**–**	–	**–**	(46)	**–**	–	**–**	(46)
Transferred to assets held for sale	**–**	–	**(133)**	–	**1**	–	**(132)**	–
As at 31 December	**1,182**	1,099	**–**	125	**34**	34	**1,216**	1,258

1. Transferred to assets held for sale

A complete list of the Group's interest in associates is included in note 39. The Group's principal associate is:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking Operations	China	19.99

31. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES continued

The Group's investment in China Bohai Bank is less than 20 per cent but is considered to be an associate because of the significant influence the Group is able to exercise over the management and financial and operating policies. Significant influence is evidenced largely through the interchange of management personnel and the provision of expertise. The Group applies the equity method of accounting for investments in associates. The reporting date (30 November 2016) of this associate is within three months of the Group's reporting date. The following table sets out the summarised financial statements of China Bohai Bank prior to the Group's share of the associates being applied:

	China Bohai Bank	
	30 Nov 2016 $million	30 Nov 2015 $million
Current assets	**39,799**	37,947
Non-current assets	**86,568**	85,877
Current liabilities	**(71,453)**	(96,282)
Non-current liabilities	**(49,001)**	(22,047)
Net assets	**5,913**	5,495
Operating income	**3,221**	2,968
Of which:		
Interest income	**5,763**	6,468
Interest expense	**(3,432)**	(4,023)
Expenses	**(1,208)**	(1,110)
Impairment	**(994)**	(776)
Operating profit	**1,019**	1,082
Taxation	**(182)**	(221)
Profit after tax	**837**	861
The above amounts of assets and liabilities include the following:		
Other comprehensive (loss)/income for the year	**(43)**	9
Total comprehensive income for the year	**794**	870

Non-current assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

32. STRUCTURED ENTITIES

Accounting policy

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the Structured entity . Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their activities. Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure.

In determining whether to consolidate a structured entity the Group takes into account its ability to direct the relevant activities of the structured entity. Control over relevant activities is generally evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinated securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entity, special relationships between the structured entity and investors, and if a single investor has a large exposure to variable returns of the structured entity.

Significant accounting judgements

Significant judgement is required in determining control over Structured entities. The purpose and design of the entity is considered, along with a determination of what the relevant activities are of the entity and who directs these. Further judgements are made around which investor is exposed to, and absorbs the variable returns of the Structured entity. The Group will have to weigh up all of these facts to consider whether the Group, or another involved party is acting as a principal in its own right or as an agent on behalf of others. Judgement is further required in the ongoing assessment of control over structured entities, specifically if market conditions have an effect on the variable return exposure of different investors.

The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group as a sponsor or by a third party, as detailed on the page opposite.

32. STRUCTURED ENTITIES continued

Interests in consolidated structured entities: A structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination in the accounting policy above.

The following table presents the Group's interests in consolidated structured entities.

	2016 Total assets $million	2015 Total assets $million
Securitisation[1]	21	76
Aircraft and ship leasing	5,623	5,514
Structured finance	1,512	1,377
Total	7,156	6,967

1. The amortisation charge for the year is recognised in the income statement within note 3

Interests in unconsolidated structured entities: unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

The table below presents the carrying amount of the assets and liabilities recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2016				2015[1]			
	Principal finance funds $million	Structured finance $million	Asset-backed securities $million	Total $million	Principal finance funds $million	Structured finance $million	Asset-backed securities $million	Total $million
Group's interest – assets								
Financial assets held at fair value through profit or loss	515	–	172	687	483	–	97	580
Investment securities – Debt securities (AFS)	54	–	4,331	4,385	73	–	6,480	6,553
Investment securities – Debt securities (loans and receivables)	624	–	1,489	2,113	1,547	–	1,156	2,703
Other assets	12	–	–	12	6	297	–	303
Total assets	1,205	–	5,992	7,197	2,109	297	7,733	10,139
Group's interests – liabilities								
Customer accounts	–	1,193	8	1,201	–	900	42	942
Debt securities in issue	–	–	929	929	–	–	1,304	1,304
Other liabilities	–	–	–	–	–	290	–	290
Total liabilities	–	1,193	937	2,130	–	1,190	1,346	2,536
Off balance sheet								
Capital commitment	422	353	82	857	153	46	270	469
Group's maximum exposure to loss	1,627	353	6,074	8,054	2,262	343	8,003	10,608
Total assets of structured entities	4,967	5,038	316,324	326,329	4,804	4,094	539,976	548,874

1. Principal Finance balances for 2015 have been restated to include further structured entities identified increasing the Group's total interest in assets from $8.6 billion to $10.1 billion, and reclassify certain entities as structured finance and asset-backed securities. Total assets of structured entities has been restated from $668.4 billion to $548.9 billion arising from a currency translation adjustment. These changes only affect this disclosure and do not adjust the Group's reported balance sheet

32. STRUCTURED ENTITIES continued

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for managed investment funds (including specialised principal finance funds), portfolio management purposes, structured finance and asset backed securities. Thesesecurities. These are detailed as follows:

- **Principal finance fund:** the Group's exposure to Principal Finance funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity
- **Portfolio management:** for the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not de-recognised from the Group balance sheet. The Group does not hold any equity interests in the structured entities, but may hold an insignificant amount of the issued notes for market making purposes. This is disclosed in the ABS section below. The proceeds of the notes' issuance are typically held as cash collateral in Issuer's account operated by a Trustee or invested in AAA-rated Government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding
- **Structured finance:** structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions largely relate to the provision of aircraft leasing and ship finance
- **Asset backed securities:** the Group also has investments in asset backed securities issued by third-party structured entities as set out on page 169 of the Risk review and Capital review. For the purpose of market marking and at the discretion of the ABS trading desk, the Group may hold an immaterial amount of debt securities ($2.5 million at year end) from structured entities originated by Credit portfolio management. This is disclosed in the ABS column above

33. CASH FLOW STATEMENT

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2016 $million	2015 $million	**2016 $million**	2015 $million
Amortisation of discounts and premiums of investment securities	**(265)**	(241)	**–**	–
Interest expense on subordinated liabilities	**835**	565	**604**	428
Interest expense on senior debt securities in issue	**367**	436	**238**	308
Other non-cash items	**9**	304	**65**	(9)
Pension costs for defined benefit schemes	**85**	96	**–**	–
Share-based payment costs	**100**	146	**–**	–
Impairment losses on loans and advances and other credit risk provisions	**2,791**	4,976	**–**	–
Dividend income from subsidiaries	**–**	–	**(204)**	(973)
Other impairment	**612**	855	**–**	–
Loss on business classified as held for sale	**44**	4		
Loss/(profit) from associates and joint ventures	**37**	(192)	**–**	–
Total	**4,615**	6,949	**703**	(246)

Change in operating assets

	Group		Company	
	2016 $million	2015 $million	**2016 $million**	2015 $million
(Increase)/decrease in derivative financial instruments	**(2,692)**	730	**110**	226
Decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	**718**	9,575	**–**	–
(Increase)/decrease in loans and advances to banks and customers	**(3,626)**	20,979	**–**	–
Net (increase)/decrease in pre-payments and accrued income	**(98)**	383	**–**	–
Net (increase)/decrease in other assets	**(2,588)**	5,145	**–**	(17)
Total	**(8,286)**	36,812	**110**	209

33. CASH FLOW STATEMENT continued

Change in operating liabilities

	Group		Company	
	2016 $million	2015 $million	**2016 $million**	2015 $million
Increase/(decrease) in derivative financial instruments	**4,110**	(304)	**103**	961
Net increase/(decrease) in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**9,219**	(69,958)	**(240)**	(585)
(Decrease)/increase in accruals and deferred income	**(139)**	(198)	**18**	(18)
Net (decrease)/increase in other liabilities	**(110)**	216	**(500)**	(415)
Total	**13,080**	(70,244)	**(619)**	(57)

34. CASH AND CASH EQUIVALENTS

Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

	Group		Company	
	2016 $million	2015 $million	**2016 $million**	2015 $million
Cash and balances at central banks	**70,706**	65,312	**–**	–
Less: restricted balances	**(8,648)**	(9,112)	**–**	–
Treasury bills	**9,163**	10,280	**–**	–
Loans and advances to banks	**23,109**	18,946	**–**	–
Trading securities	**2,647**	3,002	**–**	–
Amounts owed by and due to subsidiary undertakings	**–**	–	**15,230**	20,517
Total	**96,977**	88,428	**15,230**	20,517

Restricted balances comprise minimum balances required to be held at central banks.

35. RELATED PARTY TRANSACTIONS

Directors and officers

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

IAS 24 *'Related party disclosures'* requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court Directors of Standard Chartered Bank and the Persons Discharging Managerial Responsibilities (PDMR) of Standard Chartered PLC.

	2016 $million	2015 $million
Salaries, allowances and benefits in kind	**37**	42
Pension contributions	**–**	3
Share-based payments	**34**	40
Bonuses paid or receivable	**5**	–
	76	85

Transactions with directors and others

At 31 December 2016, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules) about loans to directors were as follows:

	2016		2015	
	Number	**$million**	Number	$million
Directors	**2**	**–**	1	–

The loan transaction provided to the director of Standard Chartered PLC was a connected transaction under Chapter 14A of the HK Listing Rule. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

As at 31 December 2016, Standard Chartered Bank had created a charge over $68 million (2015: $74 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

Other than as disclosed in the Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the HK Listing Rules.

35. RELATED PARTY TRANSACTIONS continued

Company

The Company has received $751 million (2015: $627 million) of interest income from Standard Chartered Bank. The Company issues debt externally and lends proceeds to Group companies. At 31 December 2016, it had loans to and debt instruments issued by Standard Chartered Bank of $11,625 million (2015: $16,209 million), derivative financial assets of $529 million (2015: $639 million) and $1,541 million derivative financial liabilities (2015: $1,438 million) with Standard Chartered Bank, loans of $80 million (2015: $130 million) to Standard Chartered Holdings Limited. At 31 December 2016, it had loans to Standard Chartered International Holdings of $1,054 million (2015: $1,801 million).

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

Associate and joint ventures

	2016			2015		
	China Bohai Bank $million	**Clifford Capital $million**	**PT Bank Permata $million**	China Bohai Bank $million	Clifford Capital $million	PT Bank Permata $million
Assets						
Loans and advances	**–**	**40**	**90**	11	–	69
Debt securities	**–**	**27**	**–**	–	–	112
Derivative assets	**–**	**–**	**–**	18	6	–
Total assets	**–**	**67**	**90**	29	6	181
Liabilities						
Deposits	**7**	**–**	**29**	70	–	16
Debt securities issued	**14**	**–**	**–**	–	–	–
Derivative liabilities	**–**	**–**	**–**	3	–	–
Total liabilities	**21**	**–**	**29**	73	–	16
Loan commitments and other guarantees	**–**	**10**	**–**	–	50	–

36. POST BALANCE SHEET EVENTS

On 18 January 2017, Standard Chartered PLC issued $1 billion 7.75 per cent fixed rate resetting perpetual subordinated contingent convertible securities with the first reset date being 2 April 2023.

37. AUDITOR'S REMUNERATION

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, KPMG LLP, and its associates (together KPMG) are set out below. All services are approved by the Group Audit Committee and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2016 $million	2015 $million
Audit fees for the Group statutory audit:		
Fees relating to the current year	**4.0**	3.9
Fees payable to KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries, pursuant to legislation		
Fees relating to the current year	**10.1**	10.9
Total audit and audit related fees	**14.1**	14.8
Other services pursuant to legislation	**5.3**	5.4
Tax services	**0.4**	0.4
Services relating to corporate finance transactions	**0.7**	2.1
All other services	**0.9**	0.9
Total fees payable	**21.4**	23.6

The following is a description of the type of services included within the categories listed above:

- Audit fees are in respect of fees payable to KPMG LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC. They exclude amounts payable for the audit of Standard Chartered PLC's subsidiaries and amounts payable to KPMG LLP's associates. These amounts have been included in fees payable to KPMG for other services provided to the Group
- Other services pursuant to legislation include services for assurance and other services that are in relation to statutory and regulatory filings
- Tax services include tax compliance services and tax advisory services

37. AUDITOR'S REMUNERATION continued

- Services related to corporate finance transactions include fees payable to KPMG for transaction related work irrespective of whether the Group is vendor or purchaser, such as debt issuances, acquisition due diligence and long-form reports
- All other services include other assurance and advisory services such as transaction services, ad hoc accounting advice and reviews of interim financial information

Expenses incurred during the provision of services and which have been reimbursed by the Group are included within auditor's remuneration.

38. STANDARD CHARTERED PLC (COMPANY)

Classification and measurement of financial instruments

Financial assets	2016 Derivatives held for hedging $million	2016 Amortised cost $million	2016 Total $million	2015 Derivatives held for hedging $million	2015 Amortised cost $million	2015 Total $million
Derivatives	529	–	529	639	–	639
Debt securities	–	15,009	15,009	–	12,309	12,309
Amounts owed by subsidiary undertakings	–	15,230	15,230	–	20,517	20,517
Total	529	30,239	30,768	639	32,826	33,465

Derivatives held for hedging are held at fair value and classified as Level 2 whilst the counterparty is Standard Chartered Bank.

Debt securities comprise corporate securities issued by Standard Chartered Bank with a fair value of $15,009 million (2015: $12,309 million).

In 2016 and 2015, amounts owed by subsidiary undertakings have a fair value equal to carrying value.

Financial liabilities	2016 Derivatives held for hedging $million	2016 Amortised cost $million	2016 Total $million	2015 Derivatives held for hedging $million	2015 Amortised cost $million	2015 Total $million
Derivatives	1,541	–	1,541	1,438	–	1,438
Debt securities in issue	–	17,132	17,132	–	17,293	17,293
Subordinated liabilities and other borrowed funds	–	14,582	14,582	–	13,736	13,736
Total	1,541	31,714	33,255	1,438	31,029	32,467

Derivatives held for hedging are held at fair value and classified as Level 2 whilst the counterparty is Standard Chartered Bank.

The fair value of debt securities in issue is $17,132 million (2015: $17,293 million).

The fair value of subordinated liabilities and other borrowed funds is $13,970 million (2015: $12,920 million).

Derivative financial instruments

Derivatives	2016 Notional principal amounts $million	2016 Assets $million	2016 Liabilities $million	2015 Notional principal amounts $million	2015 Assets $million	2015 Liabilities $million
Foreign exchange derivative contracts:						
Currency swaps	7,998	–	1,333	10,528	58	1,426
Interest rate derivative contracts:						
Swaps	17,918	529	208	14,748	581	12
Total	25,916	529	1,541	25,276	639	1,438

Credit risk

Maximum exposure to credit risk

	2016 $million	2015 $million
Derivative financial instruments	529	639
Debt securities	15,009	12,309
Amounts owed by subsidiary undertakings	15,230	20,517
Total	30,768	33,465

In 2016 and 2015, amounts owed by subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2016 and 2015, the Company had no impaired debt securities. The debt securities held by the Group are issued by Standard Chartered Bank, a wholly owned subsidiary undertaking with credit ratings of A+/A/Aa3.

38. STANDARD CHARTERED PLC (COMPANY) continued

Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilities of the Company on a discounted basis:

	2016								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Derivative financial instruments	–	–	–	16	–	1	17	495	529
Investment securities	–	–	–	1,250	1,600	–	1,698	10,461	15,009
Amount owed by subsidiary undertakings	249	98	992	1,500	20	2,873	8,725	773	15,230
Investments in subsidiary undertakings	–	–	–	–	–	–	–	33,853	33,853
Total assets	249	98	992	2,766	1,620	2,874	10,440	45,582	64,621
Liabilities									
Derivative financial instruments	–	–	–	–	240	1	323	977	1,541
Senior debt	–	–	842	1,500	795	2,899	7,858	3,238	17,132
Other liabilities	207	73	72	–	20	–	37	4	413
Subordinated liabilities and other borrowed funds	–	–	–	1,250	–	–	2,250	11,082	14,582
Total liabilities	207	73	914	2,750	1,055	2,900	10,468	15,301	33,668
Net liquidity gap	42	25	78	16	565	(26)	(28)	30,281	30,953

	2015								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Derivative financial instruments	–	–	13	–	–	19	20	587	639
Investment securities	–	–	1,300	–	–	2,850	1,698	6,461	12,309
Of which classified as:									
Amount owed by subsidiary undertakings	293	584	2,779	506	2,958	3,950	8,663	784	20,517
Investments in subsidiary undertakings	–	–	–	–	–	–	–	28,381	28,381
Total assets	293	584	4,092	506	2,958	6,819	10,381	36,213	61,846
Liabilities									
Derivative financial instruments	–	–	–	–	339	242	384	473	1,438
Senior debt	–	–	1,913	–	1,371	3,956	6,800	3,253	17,293
Other liabilities	202	56	76	–	33	23	20	–	410
Subordinated liabilities and other borrowed funds	–	–	–	–	–	1,247	1,420	11,069	13,736
Total liabilities	202	56	1,989	–	1,743	5,468	8,624	14,795	32,877
Net liquidity gap	91	528	2,103	506	1,215	1,351	1,757	21,418	28,969

38. STANDARD CHARTERED PLC (COMPANY) continued

Financial liabilities excluding derivative financial instruments on an undiscounted basis

2016	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Debt securities in issue	9	14	912	1,546	1,022	2,930	8,479	4,596	19,508
Subordinated liabilities and other borrowed funds	25	28	19	207	24	575	1,726	21,136	23,740
Other liabilities	207	73	72	–	20	–	37	–	409
Total liabilities	241	115	1,003	1,753	1,066	3,505	10,242	25,732	43,657

2015	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Debt securities in issue	70	21	1,999	46	1,537	4,259	7,421	4,317	19,670
Subordinated liabilities and other borrowed funds	150	57	79	207	83	1,822	3,146	17,429	22,973
Other liabilities	202	56	76	–	33	23	4	–	394
Total liabilities	422	134	2,154	253	1,653	6,104	10,571	21,746	43,037

Derivative financial instruments on an undiscounted basis

Derivative financial instruments include those net settled derivative contracts in a net liability position, together with the pay leg of gross settled contracts regardless of whether the overall contract is in an asset or liability position. The receiving leg is not shown in this table and as a result the derivative amounts in this table are inflated by their exclusion.

	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
2016	11	23	24	22	21	85	226	1,331	1,743
2015	59	25	94	102	108	424	1,218	2,338	4,368

39. RELATED UNDERTAKINGS OF THE GROUP

As at 31 December 2016, the Group's interests in related undertakings is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Note 31 details undertakings that have a significant contribution to the Group's net profit or net assets.

Subsidiaries

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
BWA Dependents Limited	United Kingdom	£1.00 Ordinary shares	100
Chartered Financial Holdings Limited	United Kingdom	£5.00 Ordinary shares	100
		£1.00 Preference shares	100
FinVentures UK Limited	United Kingdom	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited	United Kingdom	£1.00 Ordinary shares	100
SC Leaseco Limited	United Kingdom	$1.00 Ordinary shares	100
SC Overseas Investments Limited	United Kingdom	AUD1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
SC Transport Leasing 1 LTD	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited	United Kingdom	£1.00 Ordinary shares	100
SCMB Overseas Limited	United Kingdom	£0.10 Ordinary shares	100
St. Helens Nominees Limited[1]	United Kingdom	£1.00 Ordinary shares	100
Stanchart Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (GCT) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Africa Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered APR Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Bank	United Kingdom	$0.01 Non-Cumulative Irredeemable Preference shares	100
		$5.00 Non-Cumulative Redeemable Preference shares[1]	100
		$1.00 Ordinary shares	100
Standard Chartered Debt Trading Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Health Trustee (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Holdings Limited[1]	United Kingdom	$2.00 Ordinary shares	100
Standard Chartered I H Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 2 Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Masterbrand Licensing Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered NEA Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Nominees Limited[1]	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Nominees (Private Clients UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Overseas Holdings Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited	United Kingdom	£10.00 Ordinary shares	100
The SC Transport Leasing Partnership 1[2]	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 2[2]	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 3[2]	United Kingdom	Partnership interest	100
The SC Transport Leasing Partnership 4[2]	United Kingdom	Partnership interest	100
The BW Leasing Partnership 1 LP[3]	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 2 LP[3]	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 3 LP[3]	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 4 LP[3]	United Kingdom	Partnership interest	99.9
The BW Leasing Partnership 5 LP[3]	United Kingdom	Partnership interest	99.9
The following company has an address at Rua Gamal Abdel Nasser, Edificio Tres Torres, Eixo Viario, Distrito Urbano da Ingombota, Municipio de Luanda, Provincia de Luanda, Angola			
Standard Chartered Bank Angola S.A.	Angola	AOK4,825.00 Ordinary shares	60
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia			
Standard Chartered Grindlays Pty Limited	Australia	AUD Ordinary shares	100
The following companies have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana			
Standard Chartered Bank Botswana Insurance Agency (Proprietary) Limited	Botswana	BWP1.00 Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Bank Botswana Investment Services (Pty) Limited	Botswana	BWP1.00 Ordinary shares	100
Standard Chartered Bank Botswana Limited	Botswana	BWP1.00 Ordinary shares	75.8
Standard Chartered Botswana Education Trust[4]	Botswana	Interest in trust	100
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	BWP Ordinary shares	100
The following companies have the address of Avenida Brigadeiro Faria Lima, 3600 – 7th floor, Sao Paulo, Sao Paulo, 04538-132, Brazil			
Standard Chartered Bank (Brasil) S.A. – Banco de Investimento	Brazil	BRL Ordinary shares	100
Standard Chartered Participacoes E Assessoria Economica Ltda	Brazil	BRL0.51 Common shares	100
The following companies have an address at G01-02, Wisma Haji Mohd Taha Building, Jalan Gadong, BE4119, Brunei Darussalam			
Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
Standard Chartered Securities (B) Sdn Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon			
Standard Chartered Bank Cameroon S.A	Cameroon	XAF10,000.00 shares	100
The following company has the address of 20 Adelaide Street, Suite 1105, Toronto ON M5C 2T6, Canada			
Standard Chartered (Canada) Limited	Canada	CAD1.00 Ordinary shares	100
The following company has the address of Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands			
SCB Investment Holding Company Limited	Cayman Islands	$0.01 A Ordinary shares	100
The following company has the address of Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands			
Ocean Horizon Holdings South Ltd	Cayman Islands	$1.00 Ordinary shares	100
The following companies have the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands			
Sirat Holdings Limited	Cayman Islands	$0.01 Ordinary shares	91
		$0.01 Preference shares	66.7
Standard Chartered Corporate Private Equity (Cayman) Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered International Partners	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Principal Finance (Cayman) Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Cayman) Limited	Cayman Islands	$1.00 Ordinary shares	100
The following company has the address of Mourant Ozannes Corporate Services (Cayman) Limited, Harbour Centre, 42 North Church Street, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands			
Sunflower Cayman SPC[5]	Cayman Islands	$1.00 Management shares	100
The following companies have the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands			
Cerulean Investments LP	Cayman Islands	Partnership interest	100
Standard Chartered Saadiq Mudarib Company Limited	Cayman Islands	$1.00 Ordinary shares	100
The following company has the address of Standard Chartered Tower, 201 Century Avenue, Pudong, Shanghai 200120, China			
Standard Chartered Bank (China) Limited	China	CNY Ordinary shares	100
The following company has the address of Unit 5, 12th Floor, Standard Chartered Tower, World Finance, No 1 East Third Ring Middle Road, Chaoyang District, Beijing 100020, China			
Standard Chartered Corporate Advisory Co. Ltd	China	$1.00 Ordinary shares	100
The following company has the address of No. 188 Yeshen Rd, 11F, A-1161 RM, Pudong New District, Shanghai 31201308, China			
Standard Chartered Trading (Shanghai) Limited	China	$15,000,000.00 Ordinary shares	100
The following company has the address of No. 35, Xinhuanbei Road, TEDA, Tianjin, 300457, China			
Standard Chartered Global Business Company Limited (previously named Scope International (China) Co., Ltd.)	China	$ Ordinary shares	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire			
Standard Chartered Bank Cote d' Ivoire SA	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100

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39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Standard Chartered Bank France, 32 Rue de Monceau, 75008, Paris, France			
Pembroke Lease France SAS	France	€1.00 Ordinary shares	100
The following company has the address of 8 Ecowas Avenue, PMB 259 Banjul, The Gambia			
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.9
The following companies have the address of Standard Chartered Bank Building, 6 John Evans Atta Mills High Street, P.O. Box 768, Accra, Ghana			
Standard Chartered Bank Ghana Limited	Ghana	GHS Ordinary shares	69.4
		GHS0.52 Preference shares	87.0
Standard Chartered Ghana Nominees Limited	Ghana	GHS Ordinary shares	100
The following companies have the address of Bordeaux Court Les Echelons, South Esplanade, St. Peter Port, Guernsey			
Birdsong Limited	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
The following companies have the address of 1401 Hutchison House, 10 Harcourt Road, Hong Kong			
Double Wings Limited	Hong Kong	HKD1.00 Ordinary shares	100
Kozagi Limited	Hong Kong	HKD10.00 Ordinary shares	100
Majestic Legend Limited	Hong Kong	HKD1.00 Ordinary shares	100
Ori Private Limited	Hong Kong	$1.00 Ordinary shares	100
		$1.00 A Ordinary shares	90.8
Rivendell Private Limited	Hong Kong	$1.00 A Ordinary shares	84.8
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
The following company has the address of 15th Floor, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Hong Kong			
Horsford Nominees Limited	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 25/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong			
Marina Acacia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Amaryllis Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Amethyst Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Ametrine Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Angelite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Apollo Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Beryl Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Carnelian Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Emerald Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Flax Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Hazel Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Honor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Marina Ilex Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Iridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Kunzite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Leasing Limited	Hong Kong	$ Ordinary shares	100
Marina Mimosa Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Moonstone Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Peridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Sapphire Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Splendor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Hong Kong	$ Ordinary shares	100
Standard Chartered Leasing Group Limited	Hong Kong	$ Ordinary shares	100
Standard Chartered Trade Support (HK) Limited	Hong Kong	HKD Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 13/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
S C Learning Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Asia Limited	Hong Kong	HKD Deferred shares	100
		HKD Ordinary shares	100
The following companies have the address of 32nd Floor, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Sherwood (HK) Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered Bank (Hong Kong) Limited	Hong Kong	HKD A Ordinary shares	100
		HKD B Ordinary shares	100
		$ Preference shares	100
The following company has the address of L5 The Forum, Exchange Square, 8 Connaught Place, Central, Hong Kong			
Standard Chartered Global Trading Investments Limited	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 20/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Private Equity Limited	Hong Kong	HKD1.00 Ordinary shares	100
		HKD Ordinary shares	100
Standard Chartered Private Equity Managers (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong			
Standard Chartered Securities (Hong Kong) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 17/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Trust (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
The following company has the address of Room 1305, 13/F, Shun Tak Center West Tower, 200 Connaught Road, Hong Kong			
Union Town Limited	Hong Kong	HKD1.00 Ordinary shares	100
The following company has the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India			
Scope International Private Limited (name changed to Standard Chartered Global Business Services Private Limited)	India	INR10.00 Equity shares	100
The following companies have the address of 1st Floor, Crescenzo, Crescenzo, Plot no. C-38 & 39, G-Block, Bandra (East), Mumbai, Maharashtra, 400 051, India			
St Helen's Nominees India Private Limited	India	INR10.00 Equity shares	100
Standard Chartered (India) Modeling and Analytics Centre Private Limited	India	INR10.00 Ordinary shares	100
The following company has the address of 90 M.G.Road, II Floor, FORT, Mumbai, MAHARASHTRA, 400 001, India			
Standard Chartered Finance Limited	India	INR10.00 Ordinary shares	98.7
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India			
Standard Chartered Investments and Loans (India) Limited	India	INR10.00 Ordinary shares	100
The following company has the address of Floor no.7, Crescenzo Building, C-38/39, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India			
Standard Chartered Private Equity Advisory (India) Private Limited	India	INR1,000.00 Ordinary shares	100
The following company has the address of 2nd Floor, 23-25 M.G. Road, Fort, Mumbai, 400 001, India			
Standard Chartered Securities (India) Limited	India	INR10.00 Ordinary shares	100
The following company has the address of Menara Standard Chartered, 3rd Floor, Jl. Prof.Dr. Satrio no. 164, Setiabudi, Jarkarta Selatan, Indonesia			
PT Standard Chartered Securities Indonesia	Indonesia	IDR100,000,000.00 Ordinary shares	99
The following company has the address of Menara Standard Chartered, 7th floor, Jl. Prof. DR. Satrio No. 164, Jakarta, 12930, Indonesia			
PT. Price Solutions Indonesia	Indonesia	$100.00 Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 33-41 Lower Mount Street, Dublin 2, Ireland			
Inishbrophy Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inishcannon Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishcorky Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishcrean Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishdawson Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inisherkin Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishgort Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishlynch Leasing Limited	Ireland	€1.00 Ordinary shares	100
Inishoo Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishquirk Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishtubrid Leasing Limited	Ireland	$1.00 Ordinary shares	100
Nightjar Limited	Ireland	$1.00 Ordinary shares	100
Pembroke 7006 Leasing Limited	Ireland	€1.25 Ordinary shares	100
Pembroke Aircraft Leasing 1 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 6 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Alpha Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Capital Limited	Ireland	€1.25 Ordinary shares	100
		$1.00 Ordinary shares	100
Pembroke Capital Shannon Limited	Ireland	€1.25 Ordinary shares	100
Skua Limited	Ireland	$1.00 Ordinary shares	100
The following company has the address of Fort Anne, Douglas, IM1 5PD, Isle of Man			
Pembroke Group Limited	Isle of Man	$0.01 Ordinary shares	100
The following companies have the address of 1st Floor, Rose House, 51-59 Circular Road, Douglas, IM1 1RE, Isle of Man			
Standard Chartered Assurance Limited	Isle of Man	$1.00 Ordinary shares	100
		$1.00 Redeemable Preference shares	100
Standard Chartered Insurance Limited	Isle of Man	$1.00 Ordinary shares	100
The following company has the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan			
Standard Chartered Securities (Japan) Limited	Japan	JPY50,000 Ordinary shares	100
The following company has the address of Lime Grove House, Green Street, St Helier, JE1 2ST, Jersey, Channel Islands			
Ocean Horizon Holdings East Limited	Jersey	$1.00 Ordinary shares	100
The following company has the address of 4/F St Pauls Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey, Channel Islands			
Ocean Horizon Holdings West Limited	Jersey	$1.00 Ordinary shares	100
The following company has the address of 15 Castle Street, St Helier, JE4 8PT, Jersey, Channel Islands			
SCB Nominees (CI) Limited	Jersey	$1.00 Ordinary shares	100
The following company has the address of 13 Castle Street, St Helier, JE4 5UT, Jersey, Channel Islands			
Standard Chartered Funding (Jersey) Limited[1]	Jersey	£1.00 Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Standard Chartered@ Chiromo, Number 48, Westlands Road, P.O. Box 30003 – 00100, Nairobi, Kenya			
Standard Chartered Investment Services Limited	Kenya	KES1.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Kenya	KES5.00 Ordinary shares	74.3
		KES5.00 Preference shares	100
Standard Chartered Securities (Kenya) Limited	Kenya	KES10.00 Ordinary shares	100
Standard Chartered Financial Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Insurance Agency Limited	Kenya	KES100.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of M6-2701, West 27Fl, Suha-dong, 26, Eulji-ro 5-gil, Jung-gu, Seoul, Korea, Republic of			
Resolution Alliance Korea Ltd	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of 47 Jongno, Jongno-gu, Seoul, 110-702, Korea, Republic of			
Standard Chartered Bank Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following companies have the address of 17th Floor, Standard Chartered First Bank, Korea, Building 100, Kongpyong-dong, Jongno-gu, Seoul, Korea, Republic of			
Standard Chartered Private Equity Korea II	Korea, Republic of	KRW1,000,000.00 Ordinary shares	100
Standard Chartered Private Equity Managers Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of 2F, 47 Jongno, Jongno-gu, Seoul, 110-702, Korea, Republic of			
Standard Chartered Securities Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of Atrium Building, Maarad Street, 3rd Floor, P.O.Box: 11-4081 Riad El Solh, Beirut, Beirut Central District, Lebanon			
Standard Chartered Metropolitan Holdings SAL	Lebanon	$10.00 Ordinary A shares	100
The following companies have the address of Level 16, Menara Standard Chartered, 30, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Amphissa Corporation Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM10.00 Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
SCBMB Trustee Berhad	Malaysia	RM10.00 Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM0.10 Irredeemable Cumulative Preference shares	100
		RM1.00 Ordinary shares	100
Standard Chartered Saadiq Berhad	Malaysia	RM1.00 Ordinary shares	100
The following company has the address of Suite 8-3A, Menara RA, No. 18, Jalan Dataran SD2, Dataran SD, PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Golden Maestro Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
The following companies have the address of Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T., Malaysia			
Marina Morganite Shipping Limited	Malaysia	$ Ordinary shares	100
Marina Moss Shipping Limited	Malaysia	$1.00 Ordinary shares	100
Marina Tanzanite Shipping Limited	Malaysia	$ Ordinary shares	100
Pembroke Leasing (Labuan) 2 Berhad	Malaysia	$1.00 Ordinary shares	100
Pembroke Leasing (Labuan) 3 Berhad	Malaysia	$1.00 Ordinary shares	100
Pembroke Leasing (Labuan) Pte Limited	Malaysia	$1.00 Ordinary shares	100
The following company has the address of Suite 8-3A, Menara RA, No. 18, Jalan Dataran SD2, Dataran SD, PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Popular Ambience Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
The following company has the address of 12th Floor, Menara KH, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Resolution Alliance Sdn Bhd[6]	Malaysia	RM1.00 Ordinary shares	91
The following company has the address of Level 7, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, 57000 Bukit Jalil, Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Scope International (M) Sdn Bhd (name changed to Standard Chartered Global Business Services Sdn Bhd)	Malaysia	RM1.00 Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands			
Marina Alysse Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Amandier Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Angelica Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Aquamarine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Buxus Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Celsie Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Citrine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dittany Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dorado Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Jessamine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Lilac Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Lolite Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Pissenlet Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Poseidon Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Protea Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Quartz Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Remora Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Zeus Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Zircon Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
The following company has the address of 6th Floor, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Bank (Mauritius) Limited	Mauritius	$10.00 Ordinary shares	100
The following companies have the address of c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CYBERCITY, Ebene, Mauritius			
Standard Chartered Financial Holdings	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Mauritius	$1.00 Ordinary shares	100
		$ Redeemable Preference shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of 5th Floor, Ebene Esplanade, 24 Bank Street, Cybercity, Ebene, Mauritius			
Subcontinental Equities Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of Av. Julius Nyerere n. 3412, Maputo, Mozambique			
Standard Chartered Bank Mozambique, S.A.	Mozambique	$1.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal			
Standard Chartered Bank Nepal Limited	Nepal	NPR100.00 Ordinary shares	75
The following companies have the address of Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands			
Pembroke B717 Holdings B.V.	Netherlands	€1.00 Ordinary shares	100
Pembroke Holland B.V.	Netherlands	€450.00 Ordinary shares	100
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
Smart Application Investment B.V.	Netherlands	€45.00 Ordinary shares	100
Standard Chartered Holdings (Africa) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V.	Netherlands	€4.50 Ordinary A Shares	100
		€4.50 Ordinary B Shares	100
		€4.50 Ordinary C Shares	100
		€4.50 Ordinary D Shares	100
		€4.50 Ordinary E Shares	100
		€4.50 Ordinary F Shares	100
		€4.50 Ordinary G Shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered MB Holdings B.V.	Netherlands	€4.50 Ordinary shares	100
The following companies have the address of 142 Ahmadu Bello Way, Victoria Island, Lagos, Nigeria			
Cherroots Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Bank Nigeria Limited	Nigeria	NGN1.00 Irredeemable Non Cumulative Preference shares	100
		NGN1.00 Ordinary shares	100
		NGN1.00 Redeemable Preference shares	100
Standard Chartered Capital & Advisory Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Nigeria	NGN1.00 Ordinary shares	100
The following company has the address of 3rd Floor Main SCB Building, I.I Chundrigar Road, Karachi, Sindh, 74000, Pakistan			
Price Solution Pakistan (Private) Limited[1]	Pakistan	PKR10.00 Ordinary shares	100
The following company has the address of P.O. Box No. 5556I.I. Chundrigar Road, Karachi, 74000, Pakistan			
Standard Chartered Bank (Pakistan) Limited	Pakistan	PKR10.00 Ordinary shares	99
The following company has the address of Offshore Chambers, PO Box 217, Apia, Western Samoa			
Standard Chartered Nominees (Western Samoa) Limited	Samoa	$1.00 Ordinary shares	100
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D), King Fahad Highway, Olaya District, Riyadh P.O box 295522, Riyadh, 11351, Saudi Arabia			
Standard Chartered Capital (Saudi Arabia)	Saudi Arabia	SAR10.00 Ordinary shares	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone			
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	80.7
The following companies have the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Marina Aquata Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Aster Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Daffodil Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Freesia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Mars Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Mercury Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Opah Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Partawati Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Poise Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
The following company has the address of 7 Changi Business Park Crescent, #03-00 Standard Chartered @ Changi, 486028, Singapore			
Raffles Nominees (Pte.) Limited	Singapore	SGD Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore			
SCM Real Estate (Singapore) Private Limited	Singapore	SGD1.00 Ordinary shares	100
SCTS Capital Pte. Ltd	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Singapore	SGD Ordinary shares	100
Standard Chartered (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Preference shares	100
Standard Chartered Trust (Singapore) Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Holdings (Singapore) Private Limited	Singapore	SGD Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Abogado Pte Ltd, No. 8 Marina Boulevard, #05-02 MBFC Tower 1, 018981, Singapore			
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Singapore	$1.00 Ordinary shares	50
The following company has the address of 9 Battery Road, #15-01 Straits Trading Building, 049910, Singapore			
Standard Chartered Nominees (Singapore) Pte Ltd	Singapore	SGD1.00 Ordinary shares	100
The following company has the address of Marina Bay Financial Centre (Tower 1), 8 Marina Boulevard, #05-02, 018981, Singapore			
Standard Chartered PF Managers Pte. Limited	Singapore	$1.00 Ordinary shares	100
The following companies have the address of Marina Bay Financial Centre (Tower 1), 8 Marina Boulevard, Level 23, 018981, Singapore			
Standard Chartered Private Equity (Singapore) Pte. Ltd	Singapore	$ Ordinary shares	100
		$ Redeemable Preference shares	100
Standard Chartered Private Equity Managers (Singapore) Pte. Ltd	Singapore	$ Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) I Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) II Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) III Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) IV Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) V Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VI Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VII Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment (Singapore) VIII Private Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Singapore	SGD1.00 Ordinary shares	100
The following companies have the address of 5th Floor, 4 Sandown Valley Crescent, Sandton, Gauteng, 2196, South Africa			
CMB Nominees Proprietary Limited	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	South Africa	ZAR Ordinary shares	100
The following company has the address of 1, 2, 4, 7, 9, 10F, No. 168/170 & 8F, 12F, No.168 & B1, No. 170, Dunhua N. Rd., Songshan Dist., Taipei, 105, Taiwan			
Standard Chartered Bank (Taiwan) Limited	Taiwan	TWD10.00 Ordinary shares	100
The following companies have the address of 1 Floor, International House, Shaaban Robert Street / Garden Avenue, PO Box 9011, Dar Es Salaam, Tanzania, United Republic of			
Standard Chartered Bank Tanzania Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
Standard Chartered Tanzania Nominees Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
The following company has the address of 90 North Sathorn Road, Silom, Bangrak Bangkok, 10500, Thailand			
Standard Chartered Bank (Thai) Public Company Limited	Thailand	THB10.00 Ordinary shares	99.9
The following company has the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Turkey			
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Turkey	TRL0.10 Ordinary shares	100
The following company has the address of Standard Chartered Bank, Bldg5 Speke Road, PO Box 7111, Kampala, Uganda			
Standard Chartered Bank Uganda Limited	Uganda	UGS1,000.00 Ordinary shares	100
The following company has the address of 625 2nd Street, #102, San Francisco CA 94107, United States			
SC Studios, LLC	United States	$1.00 Membership Interest shares	100
The following companies have the address of 1111 Brickell Avenue, Miami FL 33131, United States			
StanChart Securities International, Inc.	United States	$0.01 Common shares	100
Standard Chartered Bank International (Americas) Limited	United States	$1.00 Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Corporation Trust Centre, 1209 Orange Street, Wilmington DE 19801, United States			
Standard Chartered Holdings Inc.	United States	$100.00 Common shares	100
Standard Chartered Capital Management (Jersey), LLC	United States	$ Ordinary shares	100
Standard Chartered Securities (North America) Inc.	United States	$0.01 Ordinary shares	100
The following company has the address of 1095 Avenue of Americas, New York City NY, United States			
Standard Chartered International (USA) Ltd.	United States	$100.00 Ordinary shares	100
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States			
Standard Chartered Overseas Investment, Inc.	United States	$10.00 Ordinary shares	100
The following company has the address of 1013 Centre Road, Wilmington, Delaware, USA			
Standard Chartered Trade Services Corporation	United States	$0.01 Common shares	100
The following company has the address of Room 1810-1815, Level 18, Building 72, Keangnam Hanoi Landmark Tower, Pham Hung Road, Cau Giay New Urban Area, Me Tri Ward, Nam Tu Liem District, Hanoi10000, Vietnam			
Standard Chartered Bank (Vietnam) Limited	Vietnam	VND Charter Capital shares	100
The following companies have the address of P.O. Box 438, Palm Grove House, Road Town, Tortola, Virgin Islands, British			
California Rose Limited	Virgin Islands, British	$1.00 Ordinary shares	90.5
Earnest Range Limited	Virgin Islands, British	$1.00 Ordinary shares	90.5
The following companies have the address of Offshore Incorporations Limited, P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, Virgin Islands, British			
Sky Favour Investments Limited	Virgin Islands, British	$1.00 Ordinary shares	100
Sky Harmony Holdings Limited	Virgin Islands, British	$1.00 Ordinary shares	100
The following companies have the address of Standard Chartered House, Cairo Road, Lusaka, PO BOX 32238, Zambia			
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Securities Services Nominees Limited	Zambia	ZMK1.00 Ordinary shares	100
The following companies have the address of Africa Unitry Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe			
Standard Chartered Asset Management Limited	Zimbabwe	$0.001 Ordinary shares	100
Standard Chartered Bank Zimbabwe Limited	Zimbabwe	$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Zimbabwe	$2.00 Ordinary shares	100

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Bohai Bank Building, No.218 Hai He Dong Lu, Hedong District, Tianjin, 300012, China			
China Bohai Bank Co. Ltd1[7]	China	CNY Ordinary Shares	19.99
The following company has the address of C/o CIM Corporate Services Ltd, Les Cascades, Edith Cavell Street, Port Louis, Mauritius			
FAI Limited	Mauritius	$1.00 Ordinary shares	25
The following company has the address of Victoria House, State House Avenue, Victoria, MAHE, Seychelles			
Seychelles International Mercantile Banking Corporation Limited	Seychelles	SCR1,000.00 Ordinary shares	22
The following company has the address of Marina Bay Financial Centre, 17-03, MBFC Tower 3, 12 Marina Boulevard, 018981, Singapore			
Clifford Capital Pte. Ltd[8]	Singapore	$ Ordinary Shares	9.9
The following company has the address of 442 Nguyen Thi Minh Khai Street, Ward 5, District 3, Ho Chi Minh City, Vietnam			
Asia Commercial Bank[7]	Vietnam	VND10,000.00 Ordinary Shares	15

39. RELATED UNDERTAKINGS OF THE GROUP continued

Joint ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of WTC II Building, Jalan Jenderal Sudirman Kav29-31, Jakarta, 12920' Indonesia			
PT Bank Permata Tbk[9]	Indonesia	IDR125.00 B shares	44.6
The following companies have the address of 33-41 Lower Mount Street, Dublin 2, Ireland			
Canas Leasing Limited[9]	Ireland	$1 Ordinary Shares	50
Elviria Leasing Limited[9]	Ireland	$1 Ordinary Shares	33.3
The following company has the address of 100/36 Sathorn Nakorn Tower, Fl 21 North Sathorn Road, Silom Sub-District, Bangrak District, Bangkok, 10500, Thailand			
Resolution Alliance Limited	Thailand	THB10.00 Ordinary shares	49

Significant investment holdings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 20-22 Bedford Row, London, WC1R 4JS, United Kingdom			
Cyber Defence Alliance Limited	United Kingdom		25
The following company has the address of Corporate Services (Pty) Ltd, Plot 115, Unit 5, Kgale Mews, Kgale Hill, Gaborone, Botswana			
Spark Capital (Proprietary) Limited	Botswana	BWP Ordinary shares	49.90
The following companies have the address of 2PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands			
Abacus Eight Limited	Cayman Islands	A Shares	24.5
Abacus Nine Limited	Cayman Islands	A Shares	24.5
Abacus Seven Limited	Cayman Islands	A Shares	24.5
Abacus Ten Limited	Cayman Islands	A Shares	31.2
Asia Trading Holdings Limited	Cayman Islands	$0.01 Ordinary shares	50
The following company has the address of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands			
ATSC Cayman Holdco Limited	Cayman Islands	$0.01 A Ordinary shares	5.3
		$0.01 B Ordinary shares	100
The following company has the address of Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman, KY1-1112, Cayman Islands			
Etonkids Educational Group Limited	Cayman Islands	$0.001 Series A Preferred Shares	100
		$0.001 Series A-1 Preferred Shares	100
The following companies have the address of Mourant Ozannes Corporate Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands			
Standard Chartered IL&FS Asia Infrastructure (Cayman) Limited	Cayman Islands	$0.01 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Ltd.	Cayman Islands	$1.00 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund LP	Cayman Islands	Partnership interest	38.6
The following company has the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands			
BCC Launchpad, L.P.	Cayman Islands	Partnership Interest	49
The following companies have the address of 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands			
Greathorse Chemical Limited	Cayman Islands	$1.00 Ordinary shares	28.3
Hygienic Holdings Group Ltd	Cayman Islands	US$0.01 Redeemable Exchangeable Preferred Shares	29.319
The following company has the address of Zhuhaishi Jida, Jiuzhoudadao, Dont 1164 Hao, Wuzidasha, 9 Ceng-11, China			
Guangdong Aiyingdao Children Departmental Store Co. Ltd	China	CNY1.00 Common shares	20.2
The following company has the address of Unit 405A, 4/F, Building 4, No. 258 Jinzang Road, Pudong New District, Shanghai, the PRC, China			
Jin Li Realty (Shanghai) Co., Ltd.	China	Registered Capital	48.6
The following company has the address of Unit 4, 14F Ke Chuang Building, No. 16 Buzheng Lane, Haishu District, Ningbo, China			
Ningbo Xingxin Real Estate Development Co.,Ltd*	China	Registered Capital	60

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Room 4-405, Block 36, No.1888 Jinqiao Road, Pudong New District, Shanghai, China			
Shui Li Realty (Shanghai) Limited	China	Registered Capital	45
The following company has the address of No.8 Hua Shiyuan North Road, East Lake New Technology Development Zone, Wu Han, China			
Ecoplast Technologies Inc	China	US$0.0001 Class C Preferred shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcaiyuan, West Er Huan Rd, Xi Shan District, Kunming, Yunnan Province, PRC, China			
Yunnan Golden Shiner Property Development Co., Ltd.	China	Registered Capital	40
The following company has the address of Room 1A-1, No.88 Xianxia Road, Changning District, Shanghai, China			
Shanghai Siyanli Industrial Co., Ltd.	China	CNY Ordinary shares	39
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcaiyuan, West Er Huan Rd, Xi Shan District, Kunming, Yunnan Province, PRC, China			
Fast Great Investment Limited	Hong Kong	HKD1.00 Ordinary shares	28
The following company has the address of Suite 1401, 14 Floor, World Commerce Centre, Harbour City, 7-11 Canton Road, Tsim Sha Tsui, Hong Kong			
Standard Latitude Consultancy (HK) Limited	Hong Kong	$5,000 Ordinary shares	20
The following company has the address of 70, Nagindas Master Road, Fort, Mumbai, 400023, India			
Joyville Shapoorji Housing Private Limited	India	INR10.00 Common Equity Shares	25.8
The following company has the address of 5th Floor, Mahindra Towers, Worli, Mumbai, 400018, India			
Mahindra Homes Private Limited	India	INR100.00 Compulsorily Convertible Debentures Series A shares	100
		INR10.00 Compulsorily Convertible Preference Shares	100
		INR10.00 Ordinary-A shares	50
		INR10.00 Ordinary-B shares	100
The following company has the address of 9th Floor, KP Platina, Racecourse, Vadodara, Gujarat-390007, India			
Inox India Limited	India	Compulsorily Convertible Preference Shares	100
		Equity Shares	4.62
The following company has the address of 1221 A, Devika Tower, 12th Floor, 6 Nehru Place, New Delhi 110019, India.			
Mikado Realtors Private Limited	India	INR10.00 Ordinary shares	22.1
The following company has the address of Elphinstone Building, 2nd Floor, 10 Veer Nariman Road, Fort, Mumbai, 400001, Maharashtra, India			
TRIL IT4 Private Limited	India	INR10.00 Ordinary shares	26
The following company has the address of Graha Paramita, 3rd Floor, Jalan Denpasar, Raya Block D-2, Kav. 8, Kuningan, Jakarta, 12940, Indonesia			
PT Travira Air	Indonesia	IDR1.00 Ordinary shares	30
The following companies have the address of 4th Floor, St Pauls Gate, 22-24 New Street, St Helier, Jersey JE1 4TR, Jersey			
Standard Jazeera Limited	Jersey	USD1.00 Ordinary shares	20
Standard Topaz Limited	Jersey	USD1.00 Ordinary shares	20.1
The following company has the address of 146-8 Chusa-ro Sinam-myeon, Yesan-gun Chungnam, Korea, Republic of			
Daiyang Metal Company Ltd	Korea, Republic of	KRW 500 Common Shares	23.1
		KRW 500 Convertible Preference Shares	100
The following company has the address of Building A 10th floor, 50, Jong-ro 1-gil, (Junghak-dong, the K Twin Tower), Jongno-gu, Seoul, Korea, Republic of			
Fountain Valley PFV Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	47.3

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 17th Floor, 100, Gongpyeongdong, Jongno-gu, Seoul, Korea, Republic of			
Smoothie King Holdings, Inc.	Korea, Republic of	KRW5,000.00 Ordinary shares	20.3
		KRW5,000.00 Redeemable Convertible Preference Shares	58
SCPEK IV	Korea, Republic of	KRW1.00 Common shares	41.4
The following company has the address of 17F (Gongpyung-dong), 47, Jongno, Jongno-gu, Seoul, Korea, Republic of			
Standard Chartered Private Equity Korea III	Korea, Republic of	KRW1,000,000.00 Ordinary shares	31
The following company has the address of Suite 8-3A, Menara RA, No. 18, Jalan Dataran SD2, Dataran SD, PJU 9, Bandar Sri Damansara, 52200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
House Network SDN BHD	Malaysia	RM1.00 Ordinary shares	25
The following company has the address of 80 Robinson Road, #02-00, 068898, Singapore			
Maxpower Group Pte Ltd	Singapore	US$1,000.00 Preference shares	100
The following company has the address of 1 Venture Avenue, #07-07 Big Box, 608521, Singapore			
Omni Centre Pte. Ltd.	Singapore	$ Redeemable Convertible Preference Shares	100
The following company has the address of 180B Bencoolen Street, #11-00 The Bencoolen, Singapore, 189648, Singapore			
Crystal Jade Group Holdings Pte Ltd	Singapore	$1.00 Ordinary shares	42.3
The following company has the address of Blk 10, Kaki Bukit Avenue 1, #07-05 Kaki Bukitr Industrial Estate, 417492, Singapore			
MMI Technoventures Pte Ltd	Singapore	SGD Ordinary shares	50
		SGD 0.01 Redeemable Preference shares	50
The following company has the address of 81 Ubi Avenue 4, #03-11 UB One, Singapore, 408830, Singapore			
Polaris Limited	Singapore	SGD Ordinary shares	25.8
The following company has the address of 8 Marina Boulevard, #23-01 Marina Bay Financial Centre, 018981, Singapore			
Greenman Pte. Ltd.	Singapore	SGD1.00 Ordinary shares	35.5
	Singapore	SGD1.00 Preferred Shares Class A	35.5
	Singapore	SGD1.00 Preferred Shares Class B	100
The following company has the address of Floor M, Petroland Building, 12 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City			
Online Mobile Services Joint Stock Company	Vietnam	Class A1 Redeemable Preference Shares	100
		Class A1 Dividend Preference Share	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

In liquidation

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Deloitte LLP, Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom			
Standard Chartered Capital Markets Limited	United Kingdom	£1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
Standard Chartered (CT) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Canada) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Eurasia) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Equitor Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Financial Investments Limited	United Kingdom	£1.00 Ordinary A Shares	100
Standard Chartered Portfolio Trading (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Receivables (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Compass Estates Limited	United Kingdom	£1.00 Ordinary shares	100
The following company has the address of 648-07 room, Building 2, Shanghai Zhangjiang High-tech Park, 351 Guo shoujing road, Shanghai, 201203, China			
SCL Consulting (Shanghai) Co. Ltd	China	$ Ordinary shares	100
The following company has the address of Cra 7 Nro 71-52 TA if 702, Bogata, Colombia			
Sociedad Fiduciaria Extebandes S.A.	Colombia	COP1.00 Ordinary shares	100
The following companies have the address of Schottegatweg Oost, 44, Curacao, Netherlands Antilles			
American Express International Finance Corp.N.V.	Curaçao	$1,000.00 Ordinary shares	100
Ricanex Participations N.V.	Curaçao	$1,000.00 Ordinary shares	100
The following company has the address of 8/F Eurotrade Centre, 21-23 Des Voeux Road Central, Hong Kong			
GE Capital (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
The following company has the address of 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong			
Leopard Hong Kong Limited	Hong Kong	$ Ordinary shares	100
The following companies have the address of 33-41 Lower Mount Street, Dublin 2, Ireland			
Inishmullen Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishroe Leasing Limited	Ireland	$1.00 Ordinary shares	100
The following company has the address of Standard Chartered@ Chiromo, Number 48, Westlands Road, P. O. Box 30003 - 00100, Nairobi, Kenya			
Standard Chartered Management Services Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of 26 boulevard royal, 2449, Luxembourg			
Standard Chartered Financial Services (Luxembourg) S.A.	Luxembourg	€25.00 Ordinary shares	100
The following companies have the address of Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands			
Pembroke Funding BV	Netherlands	€100.00 Ordinary shares	100
Pembroke Thai Aircraft II B.V.	Netherlands	€100.00 Ordinary shares	100
The following company has the address of 380 Canaval y Moreyra, Lima 27, Peru			
Banco Standard Chartered en Liquidacion	Peru	$75.133 Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, Singapore, 018981, Singapore			
SC2 Investments (Singapore) Private Limited	Singapore	SGD Ordinary shares	100
Standard Chartered (1996) Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Investments (Singapore) Private Limited	Singapore	$ Ordinary shares	100
Standard Chartered Securities (Singapore) Pte. Limited	Singapore	SGD Ordinary shares	100
Prime Financial Holdings Limited	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
The following company has the address of 9 Changi Business Park Crescent, Level 2, 486005, Singapore			
Price Solutions Singapore Pte. Ltd.	Singapore	SGD Ordinary shares	100

39. RELATED UNDERTAKINGS OF THE GROUP continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Quai du General Guisan 38, 8022, Zurich, Switzerland			
Standard Chartered Bank (Switzerland) S.A.	Switzerland	CHF1,000.00 Ordinary shares	100
		CHF100.00 Participation Capital shares	100
The following company has the address of 6th Floor, Hewlett Packard Building, 337 Fu Hsing North Road, Taipei, Taiwan			
Kwang Hua Mocatta Ltd. (Taiwan)	Taiwan	TWD1,000.00 Ordinary shares	100
The following companies have the address of 100/3, Sathorn Nakorn Tower, 3rd Floor, North Sathorn Road, Silom, Bangrak, Bangkok, 10500, Thailand			
Thai Exclusive Leasing Company Limited	Thailand	THB10.00 Ordinary shares	100
Standard Chartered (Thailand) Company Limited	Thailand	THB10.00 Ordinary shares	100
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay			
Standard Chartered Uruguay Representacion S.A.	Uruguay	UYU1.00 Ordinary shares	100
The following company has the address of PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, Virgin Islands, British			
New Group Investments Limited	Virgin Islands, British	$1.00 Ordinary shares	100

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Quadrant House, 4 Thomas More Square, London, E1W 1YW, United Kingdom			
MCashback Limited	United Kingdom	£0.01 Ordinary shares	31.7

Liquidated in 2016

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Harrison Lovegrove & Co. Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered FURBS Trustee Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Lease Trustee Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Asia Real Estate Fund Company Limited	Cayman Islands	$1.00 Ordinary shares	100
Standard Chartered Saadiq Certificate Company Limited	Cayman Islands	$1.00 Ordinary shares	100
Gettysburg Investments LP	Cayman Islands	Partnership interest	100
Larne Limited	Hong Kong	HKD Ordinary shares	100
Prime Financial Limited	Hong Kong	HKD Ordinary shares	100
Inishdasky Leasing Limited	Ireland	$1.00 Ordinary shares	100
Inishilra Leasing Limited	Ireland	$1.00 Ordinary shares	100
Pembroke 717 Leasing Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Nominees Limited	Ireland	€1.25 Ordinary shares	100
Grimes Golden Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Standard Chartered Life Insurance Agency Company	Taiwan	TWD10.00 Ordinary shares	100
Taiwan Standard Chartered Insurance Agency Company	Taiwan	TWD10.00 Ordinary shares	100
Standard Chartered Zambia Nominees Limited	Zambia	ZMK2.00 Ordinary shares	100

1. Directly held by parent company of the Group
2. These partnerships are included within the consolidated financial statements in accordance with note 31. Consequently, they have taken advantage of the exemption within the Partnerships (Accounts) Regulations 2008 (regulation 7) from filing annual financial statements
3. These partnerships are not included within the consolidated financial statements because the Group indirectly controls the General Partners, but its management role is limited to defined administrative functions over which it has no discretion. Copies of the latest financial statements will be filed with Companies House
4. No share capital by virtue of being a trust
5. Not consolidated because the Group does not actively manage the funds and activities are limited to finding funds to market. As the entity does not invest on its own account, the Group gets no benefit and suffers no risk from the investments
6. Not consolidated because the Group does not control the entity by virtue of the shareholder agreement with Orix Leasing Malaysia Bhd
7. Both are considered to be associates as described in note 31
8. Accounted for as an associate because the Group has significant influence over the management and their financial and operational policies through our representation on their board
9. Joint management is based on significant influence over the management and their financial and operational policies derived from the joint venture agreement

40. IFRS 9 FINANCIAL INSTRUMENTS

The Group is committed to a high quality implementation of IFRS 9. In addition to complying with the requirements of IFRS 9, the Group will seek to adhere to the *Guidance on Credit Risk and Accounting for Expected Credit Losses* issued by the BCBS and will also implement the guidance issued by the IASB's Impairment Transition Resource Group. The Group will also seek to implement the recommendations of the Enhanced Disclosure Task Force set out in their report *Impact of Expected Credit Loss Approaches on Bank Risk Disclosures* and those of the European Securities and Markets Authority, including the recommendations on disclosures in advance of the date of initial application.

The Group continues to assess the impact that IFRS 9 will have on its consolidated financial statements but it is not yet practicable to provide a robust and reliable estimate of the potential effect. The Group will disclose the impact of IFRS 9 when it is reliably able to do so, which will be no later than the publication of its 2017 Annual Report and Accounts. To the extent that amounts are disclosed based on a period earlier than 31 December 2017, the actual impact on initial application of IFRS 9 is likely to be different, reflecting changes in the composition of portfolios and/or different economic conditions in the interim period.

It is currently anticipated that the initial adoption of IFRS 9 would be unlikely to result in a material movement between asset measurement categories compared to IAS 39. In line with IFRS 9 requirements, all non-trading equity securities will be classified at fair value through profit or loss with all realised and unrealised gains and losses reported directly in income. The Group is not currently proposing to designate any equity securities at fair value through other comprehensive income. In respect of credit impairment provisions, the Group currently anticipate that the overall provisioning base will increase on initial adoption compared to IAS 39, with most of the increase arising from the requirement to initially recognise 12 months of expected credit losses. We currently anticipate a moderate impact from the introduction of lifetime loss provisions for non-defaulted but significantly deteriorated credit assets, in part reflecting the relatively short tenor of our Corporate & Institutional Banking portfolio. Further details to our approach is set below.

The adoption of IFRS 9 may also have a capital impact, in particular on the CET1 capital base, reflecting the anticipated increase in the stock of impairment provisions under an expected credit loss model. Further details are set out in the 'Impact on capital planning' section below.

Summary of IFRS 9 and implementation status

Implementation governance, strategy and milestones

The IFRS 9 programme has a full-time implementation team in place with an established plan and is one of the largest programmes within the Group. The implementation is jointly run by Finance and Risk and overseen by a Project Steering Committee, which comprises senior management from Risk, Finance and Technology. From a control perspective, the implementation programme is subject to review by Group Internal Audit and regular updates on the implementation are also provided to the Group Risk Committee and the Audit Committee. In addition, there is a Group-wide programme of education and training in place, which includes briefings with the Management Team, the Group Chief Financial Officer, Chief Risk Officer and Chief Information Officer, and independent non-executive directors.

The build phase of the IFRS 9 implementation is underway and testing of the systems will take place in 2017 to embed the changes. The Group will perform a parallel assessment during the second half of 2017 to better understand the implications of IFRS 9. The parallel assessment will allow an evaluation of the impact of the new ECL models on the Group's results, as well as validating the controls and efficiency of new governance and operational processes, including those relating to systems.

Classification and measurement

There are three measurement classifications under IFRS 9: amortised cost, fair value through profit or loss (FVTPL) and, for financial assets, fair value through other comprehensive income (FVOCI). The existing IAS 39 financial asset categories of held to maturity, loans and receivables and available-for-sale (AFS) are removed.

Financial assets are classified into these measurement classifications on the basis of the business model within which they are held, and their contractual cash flow characteristics. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows, and where those contractual cash flows are solely payments of principal and interest (SPPI). Interest in this context represents compensation for the time value of money and associated credit risks together with compensation for other basic lending risks and costs and profit margin.

Financial asset debt instruments that have a hold to collect and sell business model and that meet the SPPI criteria are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised. In certain circumstances, non-trading equity instruments can be irrevocably designated as FVOCI but both unrealised and realised gains or losses are recognised in reserves and no amounts other than dividends are recognised in the income statement.

Financial debt instruments that would otherwise be measured at amortised cost or FVOCI can be elected at recognition to be measured at FVTPL. This election is irrevocable and is only available where the Group can demonstrate there is an accounting mismatch. All other financial assets will be held at FVTPL.

The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39, including the ability to designate financial liabilities as FVTPL. However, the requirements relating to financial liabilities designated at fair value through profit or loss have been amended to require that the change in the fair value of an entity's own credit risk is presented within other comprehensive income rather than net trading income. These amounts would not be recycled to the income statement, even on derecognition of the instrument. The Group has decided to early adopt this change (as permitted by IFRS 9) before the mandatory effective date. Please refer to note 1.

The derecognition requirements under IFRS 9 have been carried forward unchanged from IAS 39. Where the contractual cash flows of a financial instrument not measured at FVTPL have been modified, however, a modification gain or loss is recognised in the income statement if the modification does not result in derecognition. The gain or loss represents the difference in the present value of the contractual cash flows as a result of the modification, discounted at the original effective interest rate.

Implementation status

The Group has completed an initial assessment of its business models and, where the business model is "hold to collect" or "hold to collect and sell", has completed the initial analysis of the cash flow characteristics of products within those portfolios. In assessing the business models, the Group has considered, among other factors, what the objective of the business is, how performance is managed and how staff are rewarded. In assessing the cash flow characteristics of products, the Group has reviewed the underlying contractual terms to determine whether the SPPI criteria have been met.

The Group does not currently anticipate that there will be a material change in the measurement classifications under IFRS 9 compared to IAS 39. We expect the majority of loans and advances to banks and customers to continue to be measured at amortised cost. Debt securities classified as available-for-sale will be classified either as FVOCI or amortised cost, depending on the business model. Equity instruments will be held as FVTPL; the Group is not currently proposing to designate any equity instruments as FVOCI.

Impairment

Impairment losses under IAS 39 are only recognised when a loss has been incurred. Where this is separately identified at the balance sheet

40. IFRS 9 FINANCIAL INSTRUMENTS continued

date, an individual impairment provision is recognised. Where this is not separately identified, a provision is recognised based on past experience for losses that have been incurred at the balance sheet date within the portfolio but have not yet been separately identified. The Group does not currently calculate portfolio impairment provisions for AFS assets or off balance sheet exposures.

Under IFRS 9 the measurement of loan loss provisions will move from the IAS39 incurred loss model to a forward-looking ECL model. This model will be applied to all financial assets measured at amortised cost and FVOCI, lease receivables, and certain loan commitments and financial guarantees. ECL will be recognised regardless of whether a credit loss has been incurred. As a result, together with the increased scope and forward-looking nature of the ECL model, the stock of impairment provisions under IFRS9 is likely to be higher than IAS39.

Under the IFRS 9 ECL approach, an ECL provision is recognised at the time of initial recognition for all financial assets that are in the scope of ECL including off balance sheet exposures in respect of default events that may occur over the next 12 months (so-called "stage 1 assets" with provisions equivalent to 12-months expected credit losses). ECL continues to be determined on this basis until there is either a significant increase in credit risk or the asset becomes credit impaired.

If a financial asset (or portfolio of financial assets) experiences a significant increase in credit risk since initial recognition, however, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset (so-called "stage 2 assets" with provisions equivalent to lifetime expected credit losses). A significant increase in credit risk is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the expected credit loss.

Similar to the current IAS 39 requirements for individual impairment provisions, lifetime expected credit losses are recognised for loans that are in default or are otherwise credit-impaired (so-called 'stage 3 assets').

Financial assets may be reclassified out of stage 3 if they are no longer considered credit-impaired. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a significant increase in credit risk no longer apply.

The measurement of expected credit losses across all stages is required to reflect an unbiased and probability weighted amount that is determined by evaluating a range of reasonably possible outcomes using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Where credit losses are non-linear in nature, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes. The period considered when measuring expected credit loss is the contractual term of the financial asset. However, certain revolving portfolios, including credit cards, would be measured over the period that the Group is exposed to credit risk rather than the contractual term.

As IFRS 9 ECL is more forward looking than IAS 39, the impairment charge will be susceptible to changes in period to period forecasts of macroeconomic conditions. The quantum of ECL will also be impacted by the tenor of the portfolios and expected life for revolving facilities.

For assets measured at amortised cost, the balance sheet amount reflects the gross asset less the allowance for expected credit losses. For instruments held at FVOCI, the balance sheet amount reflects the instrument's fair value, with the expected credit loss held as a separate reserve within other comprehensive income. Expected credit loss allowances on off-balance sheet instruments are held as liability provisions, if the ECL can be separately identified.

Implementation status

For material portfolios, the Group has adopted a sophisticated approach for determining expected credit losses that makes extensive use of credit modelling. Where available, the Group is leveraging existing advanced internal rating based (AIRB) regulatory models. For portfolios that follow a standardised regulatory approach, the Group has developed new models where those portfolios are sufficiently material. For less material portfolios, which are predominantly within Retail, the Group intends to use simplified approaches based on historical roll rates or loss rates.

The sophisticated credit models that are used to derive ECL have three main components – forward-looking probability of default (PD), loss given default (LGD) and exposure at default (EAD). These elements are defined as follows:

Probability of default (PD): the probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.

Loss given default (LGD): the loss that is expected to arise on default, incorporating forward-looking information where relevant.

Exposure at default (EAD): the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward looking information where relevant.

Although the IFRS 9 models leverage the existing Basel risk components, a number of significant adjustments are required to ensure the resulting outcome is in line with the IFRS 9 requirements.

	Basel Expected Loss (EL)	IFRS 9 Expected Credit Loss (ECL)
Rating philosophy	Mix of point-in-time, through-the-cycle or hybrid	Point-in-time, forward-looking
Parameters calibration	Often conservative, due to regulatory floors and downturn calibration	Best estimate, based on conditions known at the balance sheet date
Timeframe	12 month period	12 month and lifetime
Discounting	Discounting at the weighted average cost of capital to the time of default	Discounting at the effective interest rate (EIR) to the balance sheet reporting date

The PD used in assessing both significant increases in credit risk and in the overall computation of expected credit losses will incorporate the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. These factors collectively reflect the Group's most likely view of future economic conditions across its footprint and will be consistent to those used for strategic planning purposes. In order to account for the potential non-linearity in credit risk, multiple forecast economic scenarios will also be incorporated into the PD (and other parameters, where relevant) and the calculation of ECL, conditioned on the Group's primary economic forecasts. The Group currently intends to incorporate this aspect through the use of a Monte Carlo based approach.

In assessing whether a financial asset or portfolio has experienced a significant increase in credit risk, the Group will consider a number of indicators across its portfolios, including changes in PD since origination, early alert watch lists and external indicators such as credit default swap spreads. As a backstop, financial assets that are 30 or more days past due will be considered to have experienced a significant increase in credit risk.

An asset is only considered credit impaired if there is observed objective evidence of impairment. These factors are similar to the current objective evidence of impairment indicators under IAS 39. This includes, among others, default, significant financial difficulty or forbearance actions (see page 215 for further information on forbearance). The Group intends to align its definition of default to the current regulatory requirements, such that all financial assets that are 90 days or more past due or are considered unlikely to pay will be considered as defaulted assets. The determination of credit-impaired ECL provisions will be similar to the current IAS 39 approach; for example, provisions within Corporate & Institutional Banking will continue to be based on the present value of estimated future cash flows for individual clients under a range of scenarios. Where these cash flows include realisable collateral, the values used will incorporate forward-looking information.

The Group's policy on write-offs is expected to remain unchanged.

Hedge accounting

Summary

IFRS 9 aligns hedge accounting more closely with risk management activities and establishes a more principle-based approach to hedge accounting. The IASB is working on a separate project to address the accounting for hedges of open portfolios, usually referred to as 'macro hedge accounting'. Until such time as that project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39.

Implementation status

The Group's current expectation is that it will continue to apply the existing hedge accounting requirements in IAS 39 until there is further clarification on the IASB's 'macro hedge accounting' project.

Impact on capital planning

The introduction of IFRS 9 is likely to have an impact on the Group's capital, in particular arising from the anticipated increase in the provisioning base under an expected credit loss model compared to the current IAS 39 incurred loss approach as there are currently no changes proposed to the overall regulatory framework in response to IFRS 9 before the effective date of 1 January 2018.

For IRB portfolios, the impact on capital will be mitigated to the extent that there is a current deduction for excess regulatory expected losses (EL). Where the IFRS 9 accounting provisions exceed regulatory EL, the excess accounting provisions will reduce the capital base. This means the CET1 capital base could become more volatile as the accounting reflects current conditions whereas the regulatory EL is less volatile as it looks across the economic cycle as a whole. If regulatory EL exceeds the accounting provisions, then the current treatment continues. From a total capital perspective, if there is an excess of accounting provisions, this is added back to the Tier 2 capital base but only up to a limit of 0.6 per cent of credit risk-weighted assets (RWAs).

For standardised portfolios, there will be a direct flow through to capital for any increase in provisions as there is no shortfall of regulatory EL to offset the increase. Risk weights will not be adjusted.

In October 2016 the BCBS initiated a consultation around whether a period of transition relief would be appropriate to spread the initial impact of IFRS 9 over a number of years; it also issued a discussion paper in respect of what changes in the longer term could be made to the regulatory framework given accounting will now reflect expected loss through IFRS 9.

The basis of incorporating IFRS 9 into the Group's internal and external stress testing processes continues to be assessed.