STANDARD CHARTERED PLC

渣打集團有限公司

(Incorporated as a public limited company in England and Wales with registered number 966425)

(Stock Code: 02888)

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Highlights

Reported results

- Operating income[1] of $8,495 million is down 8 per cent from H1 2014, primarily driven by currency translation, business divestments and mark to market valuations
- Profit before tax[2] of $1,824 million is down 44 per cent from H1 2014 as adverse loan impairment trends continued to impact performance
- Disciplined capital and balance sheet management has resulted in customer advances down 2 per cent to $282 billion, customer deposits down 6 per cent to $389 billion and risk weighted assets (RWA) down 5 per cent to $326 billion

Performance metrics[4]

- Normalised earnings per share declined 50 per cent to 48.7 cents from 96.5 cents in H1 2014
- Normalised return on ordinary shareholders' equity of 5.4 per cent (H1 2014: 10.4 per cent)
- Dividend per share[5] reduced by 50 per cent to 14.4 cents per share (H1 2014: 28.8 cents)

Capital and liquidity metrics

- Common Equity Tier 1 (CET1) of 11.5 per cent on a CRD IV end point basis (2014: 10.7 per cent)
- Advances to deposits ratio of 72.6 per cent (2014: 69.7 per cent)
- Liquid asset ratio of 31.4 per cent (2014: 32.2 per cent)

Key messages

- Management actions focused on increasing end point CET1, up 80 basis points (bps), adversely impacting return on equity
- Continued adverse loan impairment trends in India and commodities more than offset improvement in Retail Clients' loan impairment
- Corporate and Institutional Clients - growth in high returning clients and products has been offset by increased impairment and tight RWA management
- Retail Clients operating profit up 14 per cent with improved performance in Korea
- Strong balance sheet with healthy liquidity, leverage and capital ratios

Programme of actions

- Now within the CET1 11 – 12 per cent range, six months ahead of the year end
- Well on track to deliver cost saves in excess of $400 million in 2015 and also $25-30 billion saves in low returning RWA by 2016
- Actively de-risking the business - Retail unsecured down 9 per cent, Commodities exposure down 11 per cent and Top 20 corporate exposures down 11 per cent since year end 2014
- Progress on simplifying the Group – announced new management team and simpler organisational structure
- Completed business exits including Consumer Finance businesses in Hong Kong, China and Korea, generating net disposal gains of $219 million and releasing capital

Commenting on these results, the Chairman, Sir John Peace, said:

"We have delivered good progress on our target of strengthening the Group's capital ratio and will continue to do so. However, these actions have also impacted our return on equity, and combined with a disappointing earnings performance and the current near term outlook for the Group, the Board has decided to reduce the dividend by 50 per cent. The Board and newly announced Management Team are committed to build a business that will deliver significantly better returns for our shareholders."

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

"Today's results show the Group has some very real challenges, but they are fixable and it is important to remember that there is a strong business at the heart of the Group. The newly announced Management Team, together with all of our staff, are determined to get the Group back on track."

Footnotes - see page 3

Standard Chartered PLC – Table of contents

Unless another currency is specified, the word 'dollar' or symbol '$' in this document means US dollar and the word 'cent' or symbol 'c' means one-hundredth of one US dollar. H1 refers to the six months ended 30 June and H2 refers to the six months ended 31 December.

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

Standard Chartered PLC – Summary of results

For the six months ended 30 June 2015

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Results			
Operating income [1]	**8,495**	9,274	8,962
Impairment losses on loans and advances and other credit risk provisions	**(1,652)**	(846)	(1,295)
Other impairment	**(86)**	(185)	(218)
Goodwill impairment	**-**	-	(758)
Adjusted profit before taxation [2]	**1,824**	3,273	1,922
Profit before taxation	**2,098**	3,253	982
Profit attributable to parent company shareholders	**1,512**	2,360	253
Profit attributable to ordinary shareholders [3]	**1,462**	2,310	202
Balance sheet			
Total assets	**694,956**	690,138	725,914
Total equity	**49,344**	48,562	46,738
Loans and advances to customers	**282,339**	305,061	288,599
Customer deposits	**388,795**	390,523	414,189
Total capital base (CRD IV)	**59,493**	60,691	57,099
Information per ordinary share	**Cents**	Cents	Cents
Earnings per share – normalised [4]	**48.7**	96.5	49.7
– basic	**58.6**	94.6	8.2
Dividend per share [5]	**14.4**	28.8	57.2
Net asset value per share	**1,802.6**	1,909.9	1,833.6
Tangible net asset value per share	**1,586.4**	1,646.8	1,610.9
Ratios			
Return on ordinary shareholders' equity – normalised basis [4]	**5.4%**	10.4%	5.4%
Advances to deposits ratio	**72.6%**	78.1%	69.7%
Liquid asset ratio	**31.4%**	30.5%	32.2%
Cost to income ratio – normalised basis [4]	**59.2%**	54.7%	63.2%
Capital ratios			
Common Equity Tier 1 (CRD IV) end point	**11.5%**	10.7%	10.7%
Common Equity Tier 1 (CRD IV) transitional	**N/A**	10.5%	10.5%
Total capital (CRD IV)	**18.2%**	17.3%	16.7%
Leverage ratio	**5.0%**	N/A	4.5%

[1] Excludes own credit adjustment of $55 million (June 2014: $(15) million, December 2014: $115 million) and net gain on business disposals of $219 million (June 2014: $(5) million, December 2014: $3 million)

[2] Excludes goodwill impairment, own credit adjustment, civil monetary penalty and any net gains on disposal of businesses

[3] Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares and other instruments classified as equity (see notes 10 and 19)

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

[5] Represents the interim dividend per share declared for the six months ended 30 June 2015 and 30 June 2014 and the recommended final dividend per share for the six months ended 31 December 2014 (subsequently declared at the Annual General Meeting on 6 May 2015 and recognised in these financial statements)

In the first half of 2015, we made good progress on strengthening the Group's capital ratio, delivering a Common Equity Tier 1 ratio of 11.5 per cent, up 80 basis points in six months. We have also taken action to de-risk the business, to take out costs, dispose of non-core businesses and raise the bar on important regulatory priorities, such as financial crime risk and conduct. However, these actions have adversely impacted our return on equity and, on this basis combined with a disappointing earnings performance and the current near-term outlook for the Group, the Board has decided to rebase the dividend.

The decision to rebase the dividend has not been taken lightly. The Board is acutely aware of the importance of the dividend to our shareholders, but it is equally critical that the dividend is set at a level which is sustainable and reflects the current lower earnings expectations of the Group. The interim dividend for the six months to 30 June 2015 will be 14.4 cents per share, a reduction of 50 per cent on last year. The Board expects to make a similar percentage adjustment to the final dividend.

The management actions we are undertaking were always going to adversely impact near-term returns, but the Board continues to believe they are the right things to do for the long-term health of the business. The Group's newly announced Management Team is committed to building a business that will deliver significantly better returns for our shareholders.

The Board is also determined that Standard Chartered remains vigilant in confronting and addressing past regulatory and compliance issues. Reducing financial crime risk and safeguarding good conduct is, and will remain, a priority. However, this requires us to continue to accelerate our significant levels of investment over the short term. In addition to our ongoing remediation work, we continue to invest in new transaction monitoring and surveillance systems and processes to build a world-class and sustainable compliance infrastructure for the future. We are also continuing to work with the relevant authorities and regulators to fulfil the terms of our settlement agreements.

We have already taken action across the Group to reduce the levels of inherent risk in the business, and commit to our regulators, our investors and our staff that every effort is being made to get the Bank's financial crime controls to where they need to be. Group Chief Executive Bill Winters understands and shares that sense of urgency, and will keep these regulatory and compliance standards at the forefront of the management agenda.

While the first half has been a challenging period of significant leadership and operational change, we remain committed to positioning the Group to take advantage of the medium- to long-term opportunities, which remain compelling. To do this we must have a strong balance sheet. We must have a business model and risk tolerance which provides attractive returns for our shareholders. We must have systems and processes capable of satisfying the regulatory paradigm in which we operate today. And, above all, we must have a leadership team capable of delivering on these objectives.

Finally, The Group's future domicile remains an area for external speculation. With an estimated bank levy charge of around $500 million for 2015, we welcome the Chancellor's recent budget announcement on the reduction of the bank levy over the next six years. Whilst we are not yet in a position to forecast precisely the combined impact of the reduction in our bank levy costs with the new corporation tax surcharge, our current view is that it will have a material and positive impact.

Sir John Peace
Chairman
5 August 2015

Our results in the first half of 2015 clearly show the Group still has real challenges: we are working through a legacy of a focus on growth over risk discipline and returns together with an ongoing emerging markets slowdown. We have also been too slow to take hard decisions, whether on costs, people or strategy.

I was appointed to the role as Group Chief Executive, and joined Standard Chartered, to be a pair of fresh eyes and take the actions necessary to restore the Group's ability to grow safely, sustainably and profitably over the long term. I also joined because I believed this was a real bank with real customers who use our services to improve their lives and strengthen their communities. This is exactly what I have found. As I have travelled across our network and met our people and clients, I have realised that our brand promise, Here for good, is genuine and captures the spirit of our bank.

The Group's underlying franchise – its network and presence in Asia, Africa and the Middle East – is strong. The markets in which we operate offer excellent long-term growth prospects. Our core global businesses – cash, trade and associated services – are solid, and our Retail business has a renewed focus. I have been struck by the power of the brand, and it has become clear to me that we have the deep and longstanding relationships that are rare in banking.

However, what we are doing now is asking ourselves fundamental questions that will help shape the future direction of the Group, so that we can deliver stronger returns through the cycle and from a strong capital position. While we have very real challenges, they can be addressed, and we are doing a number of things right. My task is to protect and invest in what the Group does well, and to address the areas that need work.

Focus on returns

Our primary focus is on improving returns, and returns will take primacy over growth. Growing with returns below our cost of capital is destroying shareholder value. Clearly, 5 per cent is not an adequate return, and even 10 per cent will be marginal to many investors. The Board and I consider this to be the minimum acceptable level which we should deliver as soon as possible. In the medium term we must ensure we deliver more than this, even before the promise of strong underlying growth in our markets is a reality. This focus on returns will drive a lot of the actions that we will be taking over the next few months and years.

Until the recent past, I believe that the Group saw most of the challenges it faced as cyclical, and maintained a focus on income and asset growth at the expense of returns. It is clear to me that we are seeing structural changes, and we need to reposition for this reality. Bigger doesn't necessarily mean better, especially if this is impacting returns.

I have identified five core issues for the coming months as we develop our plans:

First, we need to institutionalise the improvements in the Group's risk and return frameworks that we are continuing to evolve.

Second, we need to focus more on the products and services where we have an edge, and take tougher decisions on those where we are either not good enough, not big enough, or not making adequate returns. We are reviewing each business, activity and location to be sure it either does or will be able to contribute to group returns after fully considering risks, both financial and conduct-related. We have made a start on this with the disposal of the Savings Bank and Consumer Finance business in Korea, as well as the closure of the Institutional Cash Equities Business, but we will do more.

Third, our loan book has too many low-returning corporate lending relationships. We are looking carefully at these, and will speed up the process of upgrading or exiting low-returning client relationships, re-deploying the capital elsewhere.

Fourth, over the last decade, we have built a good product set in Financial Markets, Corporate Finance and other areas, but do not leverage our lending relationships as effectively as we can to offer our clients differentiated solutions for which they are prepared to pay us. We need to become more commercial in our mindset, but also analyse which areas fit well with our expertise, our clients and the regulatory environment.

Finally, the Group's structure and organisation underpins many of the problems it faces in delivering returns. As announced recently, I have started to take action in this area.

Organisation structure

The results in the first half of 2015 underline the fact that we need to kick-start performance, reduce costs, slash bureaucracy, improve accountability and speed up our decision making. The organisational changes will be a critical first step in delivering the $1.8 billion of cost savings to which we have committed over the next three years. Stripping out management layers and eliminating duplication of roles will simplify decision making, freeing up capacity to do business, increasing accountability and reducing our structural cost base.

We have the right people forming the Management Team with whom I will be working on our strategic plans. Together we will take the Group forward.

Reorganisations can be distracting but, from what I have heard as I have travelled across the Group, this is what we need, and it has been welcomed. There is a strong desire to follow through and make lasting improvements in how we serve our clients and manage our processes.

Following the organisation changes we have announced, we have a new leadership; more streamlined regional groupings; a structure that reinforces the highest standards of risk management, compliance and conduct; more accountability for issues that matter for our clients and other stakeholders in our markets; and business leaders, including me, who can be held accountable for performance through to the bottom line. This is only the first step we will be taking in reshaping the Group.

Asset quality

One clear area of focus for investors and the Board as I joined the Group was for me to review the quality of the Group's lending decisions and credit portfolio, the quantum of certain exposures and the trends in impairment, particularly in our corporate client base. I have not completed my review of the entire book. However, I have spent time getting to understand our people and processes, and have looked more closely at some of our larger exposures, both to large corporates and in areas such as our Retail unsecured portfolio. The loan impairment outcome for the first half and the increase in non-performing loans is a continuation of adverse trends, and there are no signs of these reversing. The sources of impairment have been the same that the Group identified previously: commodities, China and India. My initial observations on the loan book are:

First, the small number of concentrated exposures we have already flagged are not representative of our wider loan book. We have reduced exposures to the top 20 corporate groups, both in absolute terms and as a proportion of the Group's Capital resources, consecutively since 2013. We will focus on further reducing these exposures over time.

Second, the on-the-ground credit culture of the organisation is generally sound. We have the right people in place now, and I am particularly pleased to have announced that Mark Smith will be joining as the new Chief Risk Officer at the start of next year.

Third, some elements of our risk management framework were not what they should have been. Mistakes have clearly been made where decisions were taken which would now be outside of our risk framework. We grew aggressively in certain markets, we accepted high concentrations by industry, by geography and by individual borrower, and we have found some weak operational controls which exposed the Group to losses and fraud.

Finally, pricing discipline has been lacking. In my experience, a strong focus on return discipline is the first and most important contributor to a sound risk management framework. As we focus on achieving our return targets, we will shift the balance of our business decidedly towards assets which generate an acceptable return through the credit cycle.

We will fix the issues relating to our prior risk mistakes, and indeed we have already started: we are reducing the unsecured portfolio in Korea; originating personal loans through full-time staff members rather than sales agents; reducing exposures to commodity clients, given the adverse trends in commodity markets; and continuing to manage down the Group's small number of concentrated exposures.

We are also adjusting our approach, recognising the lessons learned from these mistakes, and formalising revised risk appetite policies and limits along industry, geography and borrower dimensions; upgrading management information systems to clearly present return expectations and tracking; and streamlining approval processes to speed up decision making and, most importantly, improve accountability.

Overall, I am sure we can fix the systems and processes, in large part because we have good people throughout the Risk team who understand our markets and are ready to go.

Capital and dividends

The Board has decided to rebase the dividend to better reflect our current earnings expectation and outlook and to set a payout ratio consistent with our desire to continue to strengthen our capital position. The decision to rebase the dividend reflects our current profile and not the outcome of the ongoing strategic and structural changes that we are considering.

The Group outlined its plans to achieve a Core Equity Tier 1 ratio of between 11 and 12 per cent. We have reached this level six months before the end of the year. The uplift of 80 basis points in the period is testament to the Group's ability to accrete capital and generate momentum. As part of our strategic review, we will look at both our capital targets and our ability to continue to generate capital, which will also be informed by the upcoming Bank of England stress test.

No decisions have yet been taken on whether or not we will seek additional capital, but we are taking a long-term view, ensuring that we can remain absolutely and relatively strong through economic cycles and the inevitable macro shocks, either from our markets or arising globally, and absorb the impacts from increases in conduct costs. If we decide we need capital for the long-term benefit of the

Group, we will raise capital. If we decide we don't need it, we won't.

Conduct

The Management Team is focused on meeting our obligations to our communities and regulators in all matters related to compliance and prevention of financial crime.

We have previously disclosed that we are in ongoing discussions with the relevant authorities regarding our sanctions and anti-money laundering (AML) controls. We continue to co-operate fully with US authorities on this work, and it remains that we cannot predict the nature or timing of its outcome. We exited the small and medium-sized enterprise client segment in the UAE at the end of last year, and are taking other measures across the globe to de-risk our client portfolios and enhance our transaction screening and monitoring in order to avoid any repeat of earlier shortcomings.

We continue to work closely with our home regulators on financial crime compliance. This has likewise prompted changes to the way we do things in a number of our markets and client segments. As a result, we have tightened client on-boarding procedures to reduce inherent risk while we focus on improving our controls.

As noted in our disclosures, the outcome of these enquiries is impossible to predict accurately, but we will provide updates as appropriate.

It is imperative that we always learn from any past shortcomings, and apply these lessons as we continue to reinforce our controls and processes.

We have hired some of the best and brightest people in the industry over the past year, and have increased our financial crime compliance headcount nearly five-fold in the past three years. We have ensured local compliance managers are guided to take direct action as appropriate. Our new structure gives local and regional management authority and accountability for their control environments but also access to resources needed to discharge this responsibility, including the strategic oversight from our Board Financial Crime Risk Committee. In May we were also invited to join the Wolfsberg Group, an association of global banks that set the industry standards for know-your-customer, AML and anti terrorist financing.

The goal of all this activity and investment is not merely to ensure robust compliance, but to make a meaningful and leading contribution to the global fight against financial crime.

Conclusion

I intend to announce a clear plan of action by the year end. Many of the areas we are considering are complex; the Board and I want to get to the right answers and are taking the time to complete our work. In my conversations with shareholders, they have made it clear they want a thorough review of the areas I have outlined, and prefer a thoughtful response to a rushed one. I am listening to, and acting upon, those views.

In the meantime, we are not standing still: our focus on returns is clear in our client and investment decisions; our new Management Team is in place and focused on driving the organisation; and our regional CEOs are forming plans to run integrated local banks, leveraging our global strengths. Finally, we continue to innovate and transform our underlying businesses along the lines we have previously set out, building on the strengths of our underlying franchise: our network, our brand and our solid core businesses.

Beyond the current execution areas of focus, we will continue to ask ourselves questions, including:

- How do we benchmark against our evolving competitors, and where are we advantaged?
- How should we reshape our portfolios, business mix and geographic presence, given the linkages between them?
- How can we make more of our investment in technology to extend our pockets of outstanding innovation across the Group?
- How can we continue to evolve and simplify our structure to improve processes and controls and ensure that our corporate structure is fit for purpose and an enabler of strategy?
- How can we think more strategically about our cost base, taking out costs where we can and investing in the areas of the business that will drive future performance?

As we work through these questions, we are assessing ourselves and the outcomes through the dual financial priorities of strengthening our capital position and re-building returns on equity. We are making good progress, and have a clear view of what the Group should look like at the end of the process.

In my day one letter as Group Chief Executive I wrote that I had reached the clear conclusion that this is a great bank. That is still my view.

As we address performance challenges and think about the shape of the Group over the next few months, the Management Team and I are focused on ensuring this institution is: well capitalised and able to manage and navigate any future shocks; delivering returns above its cost of capital; more efficiently structured, with a lower cost base; at the leading edge of risk management, regulatory compliance and the fight against financial crime; and more clearly focused on what we can do well, making better use of our key competitive advantages: our global network and deep client relationships.

We are determined that this great bank regains its sense of self belief and self confidence so that we can again lead in our chosen businesses and deliver strong performance.

Bill Winters
Group Chief Executive
5 August 2015

Performance summary

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	7,907	8,378	(6)
Other income	588	896	(34)
Operating income[1]	8,495	9,274	(8)
Other operating expenses	(4,554)	(4,756)	4
Regulatory costs	(453)	(283)	(60)
Restructuring costs	(35)	(44)	20
Total operating expenses	(5,042)	(5,083)	1
Operating profit before impairment losses and taxation[1]	3,453	4,191	(18)
Impairment losses on loans and advances and other credit risk provisions	(1,652)	(846)	(95)
Other impairment	(86)	(185)	54
Profit from associates and joint ventures	109	113	(4)
Adjusted profit before taxation[1]	1,824	3,273	(44)
Own credit adjustment	55	(15)	nm[2]
Gains/(losses) on businesses sold/held for sale	219	(5)	nm[2]
Profit before taxation	2,098	3,253	(36)
Net interest margin (%)	1.7	2.1	(33)bps
Normalised earnings per share (cents)	48.7	96.5	(50)
Dividend per share (cents)[3]	14.4	28.8	(50)
Return on ordinary shareholders' equity - normalised basis[4]	5.4%	10.4%	
Common Equity Tier 1 (CRD IV) end point basis	11.5%	10.7%	

1 Excludes $55 million (H1 2014: $(15) million) relating to an own credit adjustment and $219 million (H1 2014: $(5) million) relating to net gains/(losses) on businesses sold/held for sale. Under current accounting requirements, the UK bank levy is only recognised in the financial statements on 31 December each year and is therefore not recognised in H1 2015 or H1 2014

2 Not meaningful

3 Represents the interim dividend per share declared for the six months ended 30 June 2015 and 30 June 2014

4 Results on normalised basis excludes the items presented in note 11

Performance in the first half of 2015 was disappointing with adjusted profit before taxation down 44 per cent to $1,824 million compared to the first half of 2014. Reported profit before taxation was $2,098 million, down 36 per cent.

The performance reflects a combination of macroeconomic factors linked to weaker commodity markets and falling asset prices and deliberate management actions taken to strengthen our balance sheet and de-risk the business. We have also seen the impact of emerging markets currency weakness against the US dollar.

In line with our earlier commitment we are prioritising actions that strengthen our capital position and generate sustainably higher returns over time. These actions include:

- Proactively managing risk weighted assets (RWAs), de-risking portfolios, and being more selective in the new business we originate
- Closely managing costs. We are on track to deliver over $400 million in sustainable cost saves in 2015 as part of our commitment to deliver $1.8 billion over 3 years
- Exiting businesses that are not core to our strategy. Page 21 sets out the impact of the businesses disposed of in H1 2015
- Reshaping Korea, where although there is still a long way to go, we have seen significant year on year improvement

These actions have supported an 80 basis points (bps) increase in our end point CET 1 ratio to 11.5 per cent and we are within our 11-12 per cent target range, six months ahead of time.

As in previous periods we have excluded the Own Credit Adjustment (OCA) of $55 million from all of the following commentary in addition to the gains of $219 million arising from business disposals.

Group performance

There are a number of points to highlight:

- Income of $8,495 million was down 8 per cent ($779 million) with client income down 6 per cent. Income was impacted by adverse currency translation effects of $277 million, business disposals and closures of $173 million and incremental mark-to-market valuations on loan positions of $263 million, which impacted other income

- Excluding these three factors, income was broadly flat compared with the first half of 2014. Within this, growth in Wealth Management, Foreign Exchange and Rates income growth was offset by lower income from our financing businesses and from Asset and Liability Management (ALM)
- The Group net interest margin declined 33 bps to 1.7 per cent impacted by de-risking and exits from our higher margin Credit cards, Personal loans and Other unsecured lending (CCPL) book, increased balances of low yielding assets held for regulatory purposes and from margin compression in our financing businesses
- Operating expenses, excluding regulatory spend, were 4 per cent lower year on year and broadly flat on a constant currency basis after excluding the impact of divestments. Regulatory costs continue to rise and were up 60 per cent year on year to $453 million as we continue to invest in our financial crime and compliance capabilities for the future
- Total Impairment of $1,738 million remained elevated and was up 15 per cent compared with the second half of last year reflecting recent deterioration in India and continued commodity market weakness, as well as an isolated incident in our Private Banking clients business

As a result of these factors, adjusted profit before tax for the year was $1,824 million, down 44 per cent, normalised earnings per share was 48.7 cents and normalised return on equity was 5.4 per cent.

Client segments income

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) $million	Better / (worse) %
Corporate and Institutional Clients	**4,806**	5,334	(528)	(10)
Commercial Clients	**497**	616	(119)	(19)
Private Banking Clients	**304**	314	(10)	(3)
Retail Clients	**2,888**	3,010	(122)	(4)
Total Operating Income[1]	**8,495**	9,274	(779)	(8)

[1] Excludes $55 million (2014: $(15) million) relating to an own credit adjustment and $219 million (2014: $(5) million) relating to net gains/(losses) on businesses sold/held for sale

Income from Corporate and Institutional Clients of $4,806 million was down 10 per cent year on year. Financial Markets income was significantly impacted by mark-to-market valuations on a small number of Capital Markets loan positions originated prior to 2013. Income from corporate clients fell 12 per cent, due to lower commodity-client linked income, more selective asset origination and a slowdown in client activity in our footprint.

Commercial Clients income fell 19 per cent to $497 million mainly due to transfers to other client segments as well as client exits completed over the past 12 months. Performance was also impacted by weaker Transaction Banking and Financial Markets income, and adverse foreign currency translation impacts. We are making good progress on our extensive client due diligence remediation programme which is now largely complete.

Income from Private Banking declined 3 per cent compared to the same period last year impacted by the exit of our Geneva business and client transfers to the Retail Client segment in Jersey. Excluding these items, income grew 4 per cent and assets under management rose 9 per cent driven by strong business momentum in Greater China.

Retail Clients operating income declined 4 per cent to $2,888 million due to an 18 per cent fall in CCPL income. This was driven by adverse foreign currency translation impacts, the sale of the Consumer Finance business and the impact of the de-risking of the personal lending portfolio, mainly in Korea. This decline offset strong growth in Wealth Management income which rose 25 per cent with broad-based growth across investment products, treasury products and bancassurance.

Expenses

	6 month ended 30.06.15 $million	6 month ended 30.06.14 $million	(Better) / worse $million	(Better) / worse %
Staff costs (includes variable compensation)	**3,072**	3,259	(187)	(6)
Premises costs	**386**	429	(43)	(10)
General administrative expenses	**764**	760	4	1
Depreciation and amortisation	**332**	308	24	8
Other operating expenses	**4,554**	4,756	(202)	(4)
Regulatory costs	**453**	283	170	60
Restructuring costs	**35**	44	(9)	(20)
Total operating expenses	**5,042**	5,083	(41)	(1)
Staff numbers (Average)	**88,543**	87,391		
Normalised Cost to income ratio[1]	**59.2%**	54.7%		

[1] Results on normalised basis excludes items presented in note 11

Other operating expenses of $4,554 million were 4 per cent lower year on year, excluding regulatory costs. On a constant currency basis and excluding the impact of divestments costs were broadly flat with half year efficiency savings offset by inflation.

Our planned actions have reduced headcount by 5 per cent, or by over 4,000 people since the end of 2014. The announcement of our new and simplified organisation structure is a key enabler to help us deliver future cost reductions.

Regulatory costs of $453 million were up 60 per cent year on year as we continue to invest in our compliance teams and in our capabilities to fight financial crime. Our investment has largely focused on people, with headcount in these areas up approximately five fold in the past three years, and it also includes the costs associated with having monitors in place appointed by the US Authorities.

Impairment

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	(Better) / worse $million	(Better) / worse %
Corporate and Institutional Clients	**1,040**	266	774	291
Commercial Clients	**154**	100	54	54
Private Clients	**94**	-	94	nm[1]
Retail Clients	**364**	480	(116)	(24)
Impairment on loans and advances and other credit risk provisions	**1,652**	846	806	95
Other impairment	**86**	185	(99)	(54)
Total	**1,738**	1,031	707	69
Gross non-performing loans as a % of closing advances	**2.4%**	1.8%		
Loan impairment / loan book (bps)	**114**	57		
Collateral held against impaired assets	**1,973**	1,573		
Cover ratio	**54%**	52%		
Mortgage portfolio Loan-to-value (LTV)	**49%**	50%		
Retail secured ratio	**84%**	80%		
CIC and CC maturity - within 1 year	**65%**	66%		

[1] Not meaningful

Total impairment of $1,738 million in the first half remains elevated and is up 15 per cent or $225 million on the second half of last year. This increase was driven by India and an impairment in Private Banking. These two factors were partially offset by the reduction in Retail loan impairment and the non-repeat of the commodities related fraud in China.

In India, we saw a number of changes in regulation early in the year and also in the attitude of local banks to refinancing that has reduced the likelihood for success of certain of our corporate debt recoveries.

Retail Clients total impairment improved 24 per cent year on year and 28 per cent on the second half to $364 million, and now represents under a quarter of the Group total. This improvement benefitted from significant de-risking in Korea.

Although Group non-performing loans are up 17 per cent since year end, they relate largely to accounts that we have been actively managing for some time and the cover ratio has increased to 54 per cent, up from 52 per cent at the year end.

Responding to the increase in impairment and a challenging external environment, we have continued to de-risk our portfolios:

- We have continued to reduce Retail unsecured exposures, down 9 per cent since the year end to $19 billion. This now represents only 16 per cent of the Retail loans and advances to customers
- We have also further reduced our commodities exposure which, at $49 billion, is down 11 per cent since the year end and 21 per cent from the end of 2013

The increase in total impairment reflects a continuation of an adverse trend and, while there is no suggestion it will improve soon, the sources of new stress are from relationships we had already identified as vulnerable.

Group Balance sheet

	30.06.15 $million	31.12.14 $million	Increase / (decrease) $million	Increase / (decrease) %
Total assets	**694,956**	725,914	(30,958)	(4)
Total equity	**49,344**	46,738	2,606	6
Loans and advances to customers	**282,339**	288,599	(6,260)	(2)
Customer deposits	**388,795**	414,189	(25,394)	(6)
Advances to deposits ratio	**72.6%**	69.7%		
Liquid asset ratio	**31.4%**	32.2%		
Leverage ratio end point	**5.0%**	4.5%		

Our balance sheet remains strong. The Group is highly liquid, with a leverage ratio of 5.0 per cent and a liquid asset ratio of 31.4 per cent.

Loans and advances to customers have declined $6 billion, or 2 per cent since the year end impacted by more selective asset origination with a continued focus on returns, lower commodity prices, lower corporate activity and Retail unsecured de-risking. The majority of the reduction is in Corporate and Institutional Clients where loans and advances to customers are $4 billion lower, while Commercial Clients and Retail Clients are both $1 billion lower.

Customer deposits are $25 billion, or 6 per cent, lower since the year end as we continue to actively manage down more costly deposits. As a result, the advances to deposit ratio for the Group is 72.6 per cent.

Capital

Capital ratios and risk weighted assets	30.06.15	31.12.14
Common Equity Tier 1 (CET 1) end point	**11.5%**	10.7%
Common Equity Tier 1 (CET 1) transitional	**N/A**	10.5%
Total Capital	**18.2%**	16.7%
Total risk weighted assets	**326,171**	341,648

In line with our earlier commitment we are prioritising actions that strengthen our capital position and generate sustainably higher returns over time.

As a result of these actions the Group's end point CET 1 ratio has improved 80 basis points to 11.5 per cent. Although there remain some uncertainties over the medium term, such as the outcome of the recent Basel Committee on Banking Supervision (BCBS) proposals on standardised risk models and floors, we are already within our 11-12 per cent range, 6 months before the year end.

The impact of one-off items on our CET 1 ratio during the period was broadly neutral. These items included methodology and model changes, most notably the inclusion of a regulatory Prudential Valuation Adjustment (PVA), as well as the strong final dividend scrip take-up and gains on business disposals.

For regulatory purposes as at 30 June 2015, a prudential estimate of market based credit valuation adjustments (CVA) has been deducted from capital as part of the PVA. The increase in the PVA reduced the CET 1 ratio by 20 bps.

The Group's methodology for estimating accounting CVA will be revised as at and for the year ending 31 December 2015 to incorporate more market based data available across the Group's footprint. This will replace the Group's internal credit ratings for counterparties and the related expected loss that currently estimates CVA. It is not possible to reliably estimate the accounting impact as at 30 June 2015.

RWAs fell $15 billion driven by loan provisioning asset reductions, loan sales and almost $4 billion in RWA efficiencies, the first part of the $25 to $30 billion of savings which we outlined in March.

Summary

The Group continues to face challenges – some are cyclical but many are structural. We are taking action in the areas we outlined earlier and seeing early signs of progress, for example in Retail. While many of the actions are helping to grow capital, they are also impacting near term returns but remain the right course of action for us at this time.

Andy Halford
Group Chief Financial Officer
5 August 2015

Corporate and Institutional Clients

Corporate and Institutional Clients comprises Global Corporates, Local Corporates and Financial Institutions.

Operating profit fell 54 per cent due to mark-to-market valuations on loan positions, lower income from Corporates and increased impairments:

- Financial Markets income was significantly impacted by mark-to-market valuations on a small number of Capital Markets loan positions originated prior to 2013
- Income from corporate clients fell 12 per cent as a result of lower commodity-client linked income, more selective asset origination and a slowdown in client activity in our footprint
- Impairments increased primarily driven by India where Corporates were impacted by continued stress on their balance sheets coupled with a more challenging refinancing environment

Progress against strategic objectives

Early progress on reshaping the business to address the challenges we face and deliver the Group's commitments on capital accretion and return on equity.

- On track to deliver target RWA efficiencies and cost efficiencies in 2015. $5 billion of RWA efficiencies delivered in H1 2015, of which $1 billion relates to Principal Finance disposals
- Multi-year investment plan to build infrastructure and frontline capacity for Investor clients on track. Income from these clients rose 27 per cent in the first half of 2015
- Deeper and broader client penetration, with the average number of products per client up 4 per cent to 6.0 and the average number of markets per client up 7 per cent to 2.8. The percentage of clients generating 80 per cent of our income increased to 20.0 per cent, up from 18.6 per cent in H1 2014
- Non-financing revenues up 3 per cent and non-financing revenue ratio at 46.5 per cent from 43.5 per cent in H1 2014. Activity levels in key non-financing products such as foreign exchange (FX) and Cash Management grew strongly compared with H1 2014

Financial performance

The following tables provide an analysis of financial performance for Corporate and Institutional Clients:

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better/ (worse) %
Lending and Portfolio Management	374	393	(5)
Transaction Banking	1,538	1,603	(4)
Financial Markets[1]	1,442	1,662	(13)
Corporate Finance	1,100	1,227	(10)
Asset and Liability Management	173	278	(38)
Principal Finance	179	171	5
Operating income[1]	4,806	5,334	(10)
Operating expenses	(2,653)	(2,546)	(4)
Loan impairment	(1,040)	(266)	(291)
Other impairment	(81)	(169)	52
Profit from associates and joint ventures	86	90	(4)
Operating profit[1]	1,118	2,443	(54)
Client income	4,391	4,615	(5)
Customer loans and advances	154,562	168,348	(8)
Customer deposits	223,814	211,357	6
Risk weighted assets	235,315	250,771	(6)
Return on risk weighted assets	0.9%	2.1%	

[1] Excludes $55 million (2014: $(15) million) in respect of own credit adjustment

Corporate and Institutional Clients had a challenging first half. Operating income fell 10 per cent ($528 million) compared with H1 2014 with over half the decline due to mark-to-market valuations on a small number of Capital Markets loan positions.

Client income, constituting 91 per cent of operating income, fell 5 per cent, or $224 million, to $4,391 million.

This decline was primarily led by a slowdown in corporate performance. Income from corporate clients fell 12 per cent impacted by lower commodity-client linked income, more selective asset origination and a slowdown in client activity in our footprint. Income from Financial Institution clients rose 7 per cent, driven by a strong performance from our Investors client segment.

Income from Transaction Banking was down by 4 per cent ($65 million) reflecting the impact of commodity price declines and lower market volumes in trade finance. Income from Cash Management & Custody rose 4 per cent with strong growth in our Securities Services business. Customer deposits increased 6 per cent with growth in quality operating balances while margins compressed due to falling interest rates in key markets.

Financial Markets income fell 13 per cent ($220 million) driven by mark-to-market valuations on a small number of loans originated prior to 2013. This was partially offset by strong growth in FX and Rates.

Corporate Finance income fell 10 per cent ($127 million) due to selective asset origination, the general slowdown in client activity in our footprint and higher competition due to excess liquidity in our markets.

Principal Finance income increased 5 per cent ($8 million) due to higher fair value gains on listed investments in Corporate and Institutional Clients. ALM income declined 38 per cent, as a result of lower accrual income.

Operating expenses were $107 million higher, or 4 per cent, to $2,653 million due to increased regulatory and compliance costs. Excluding regulatory costs, operating expenses were flat year on year benefiting from the structural cost saving actions.

Total impairment rose by $686 million, or 158 per cent, to $1,121 million primarily driven by India where corporates were impacted by continued stress on their balance sheets coupled with a more challenging refinancing environment.

Operating profit fell by $1,325 million, or 54 per cent, to $1,118 million.

Balance sheet

Customer loans and advances fell 8 per cent reflecting more selective asset origination, internal de-risking actions in the commodities portfolio and the impact of commodities price declines.

RWAs decreased by 6 per cent with the benefit from structural actions in part being offset by the impact of Basel III and policy, methodology and model changes. Operating profit return on RWA declined from 2.1 per cent to 0.9 per cent impacted by the decline in Operating profit.

Customer deposits increased 6 per cent, largely reflecting increased Time Deposits and higher Cash Management balances.

Commercial Clients

The Commercial Clients segment was established in 2014 and serves medium-sized businesses that are managed by dedicated relationship managers. The segment brought together existing clients from the previous Wholesale Banking and Consumer Banking businesses.

H1 2015 was a continuation of the strategy initiated last year, which is a multi-year change programme designed to capitalise on the potential and growth opportunities of this segment. Operating profit fell 86 per cent impacted by client exits completed over the past 12 months, weaker Financial Markets income, foreign currency translation impacts and increased impairment:

- Our client due diligence (CDD) remediation programme continued in H1 2015, and we either exited or moved clients to other client segments if their risk profile did not fit into the Commercial Clients model or if they would be better served in another client segment
- The decline in Financial Markets income was due to by lower client activity, while the foreign currency headwinds arose due to the strengthening of the US dollars against local currencies
- Total impairment rose 60 per cent primarily driven by a small number of specific clients in India for whom additional provisions were taken in H1 2015

Progress against strategic objectives

- The work on reviewing and addressing potential operational and credit risk continued in H1 2015, with particular focus on the extensive CDD remediation programme
- As part of our ongoing commitment to raising the bar on CDD quality, we successfully migrated 98 per cent of our client base onto an electronic platform
- Work is also well advanced on building a globally consistent and enhanced operating platform across our markets. Commercial Clients teams were strengthened and upgraded and all key positions have been filled

Financial performance

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Lending and Portfolio Management	**101**	136	(26)
Transaction Banking	**233**	302	(23)
Financial Markets	**86**	118	(27)
Corporate Finance	**8**	14	(43)
Wealth Management	**53**	64	(17)
Retail Products	**8**	2	300
Asset and Liability Management	**16**	22	(27)
Principal Finance	**(8)**	(42)	(81)
Operating income	**497**	616	(19)
Operating expenses	**(324)**	(362)	10
Loan impairment	**(154)**	(100)	(54)
Other impairment	**(6)**	-	nm[1]
Profit from associates and joint ventures	**10**	11	(9)
Operating profit	**23**	165	(86)
Client income	**484**	617	(22)
Customer loans and advances	**13,441**	17,632	(24)
Customer deposits	**20,940**	31,431	(33)
Risk weighted assets	**20,320**	24,820	(18)
Return on risk weighted assets	**0.2%**	1.3%	

[1] Not meaningful

Operating income fell 19 per cent ($119 million) compared to H1 2014 with client income down 22 per cent ($133 million).

Financial Markets income fell 27 per cent ($32 million), impacted by the slowdown of the FX Options activity in Greater China as the Renminbi (RMB) depreciation and volatile market reduced client demand for hedging in that region.

Income from Transaction Banking and Lending declined 23 percent and 26 percent respectively, impacted by CDD remediation and client exits, as well as by other factors including currency depreciation, margin compression and weaker market wide trade activity.

Principal Finance income benefitted from a decrease in negative mark-to-market valuations on investments compared with H1 2014.

Expenses were 10 per cent lower due to reduced business volumes.

Loan impairment increased by $54 million to $154 million, driven by a small number of specific loan impairments, notably in India, which relate to certain clients for whom additional provisions were taken in H1 2015.

Operating profit fell by $142 million, or 86 per cent, to $23 million.

Balance sheet

Customer loans and advances decreased by 24 per cent as a result of client exits and transfers, and lower Trade balances.

RWAs fell 18 per cent as the impact of client exits and transfers more than offset policy, methodology and model changes. Despite this fall, Operating profit return on RWAs declined from 1.3 per cent to 0.2 per cent due to the decline in income and increased impairment.

Customer deposits fell 33 per cent reflecting client exits, increased levels of competition in Hong Kong and Singapore and optimisation of our funding mix. Commercial Clients, however, remain a net liquidity generator for the Group.

Private Banking Clients

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

Operating profit fell 96 per cent for the first half of 2015, impacted by increased impairment provisioning.

Progress against strategic objectives

We are making good progress against the refreshed strategy outlined in 2014, and continue to focus on growing this client segment:

- Frontline hiring is proceeding according to plan with over 40 Relationship Managers hired during the first half of 2015
- Our pilot inter-segment referral program is progressing well with over 50 successful referrals since its launch at the end of 2014. One bank collaboration is gaining traction with a number of successful co-investment and leveraged finance client deals
- Deepening existing client relationships continues to be a focus, evidenced by the strong growth in recurring investment product revenues. Investment penetration has increased from 51 per cent at the end of 2014 to 56 per cent of AuM
- Good progress in executing our three-year technology and operations programme. Productivity initiatives are underway focussing on initiatives to automate, streamline and standardise processes

Financial performance

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Transaction Banking	**-**	1	nm[1]
Wealth Management	**214**	205	4
Retail Products	**83**	94	(12)
Asset and Liability Management	**7**	14	(50)
Operating income	**304**	314	(3)
Operating expenses	**(208)**	(227)	8
Loan impairment	**(94)**	-	nm[1]
Other impairment	**1**	(16)	nm[1]
Operating profit	**3**	71	(96)
Client income	**290**	295	(2)
Customer loans and advances	**17,211**	18,134	(5)
Customer deposits	**26,571**	30,606	(13)
Risk weighted assets	**8,508**	7,032	21
Return on risk weighted assets	**0.1%**	2.3%	

[1] Not meaningful

Income from Private Banking declined 3 per cent compared to the same period last year impacted by the exit of our Geneva business and client transfers to the Retail Client segment in Jersey. Excluding these items ('exits and transfers'), income grew 4 per cent.

Growth was driven by strong business momentum in Greater China, supported by Europe and MENAP regions. Wealth products led the growth, particularly Funds, Fiduciary & Treasury products. Assets under management (AuM) rose 9 per cent to $61 billion excluding exits and transfers.

Expenses were 8 per cent lower, primarily due to Geneva exit costs incurred in the first half of 2014. Excluding exits and transfers, expenses rose 6 per cent driven by investment in frontline relationship managers, control functions and technology.

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

Operating profit fell by $68 million or 96 per cent.

Balance sheet

Customer loans and advances decreased by 5 per cent. Excluding the impact of exits and transfers, lending balances declined 3 per cent.

Risk weighted assets rose 21 per cent over the first half of 2014 primarily from the impact of collateral eligibility policy changes, methodology and portfolio composition.

Operating profit return on RWAs fell from 2.3 per cent to 0.1 per cent due to the loan impairment provision.

Customer deposits fell 13 per cent. Excluding the impact of exits and transfers, deposits declined 7 per cent as a result of clients capitalising on tactical market investment opportunities coupled with our strategic business focus on growing investment based AuM.

Retail Clients

Retail Clients serves Priority, Personal and Business Clients.

Operating profit grew by 14 per cent driven by continued growth in Wealth Management income, lower expenses and a significant reduction in impairment:

- Income from Wealth Management grew 25 per cent driven by broad-based growth across investment products, treasury products and bancassurance
- Retail Products income fell 10 per cent as a result of the sale of the Consumer Finance business and the continued impact of the de-risking of the unsecured lending portfolio
- Expenses were down 5 per cent due to the ongoing cost efficiency actions, favourable foreign currency translation impact and the sale of the Consumer Finance business
- Impairment decreased 24 per cent benefitting from the de-risking actions on the unsecured lending portfolio and the sale of the Consumer Finance business

Progress against strategic objectives

- The shift in the sales and service model towards affluent clients was completed in the first half of 2015. Share of revenue from the affluent client segments continued to increase, rising to 46 per cent in H1 2015 from 40 per cent in 2014 and 37 per cent in 2013
- The sale of the Consumer Finance business was completed in the first half of the year
- Cost efficiency initiatives are on track with the reduction in headcount of over 5,000 and the closure or optimisation of 94 additional branches during the first half of the year
- Continued build-out of online capabilities and standardisation of product platforms
- Strengthening of conduct continues to be a key focus, with enhancements to CDD processes

Financial performance

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Transaction Banking	**6**	12	(50)
Wealth Management	**685**	548	25
Retail Products[1]	**2,115**	2,344	(10)
Asset and Liability Management	**82**	106	(23)
Operating income[1]	**2,888**	3,010	(4)
Operating expenses	**(1,857)**	(1,948)	5
Loan impairment	**(364)**	(480)	24
Profit from associates and joint ventures	**13**	12	8
Operating profit[1]	**680**	594	14
Client income	**2,742**	2,851	(4)
Customer loans and advances	**97,125**	100,947	(4)
Customer deposits	**117,470**	117,129	-
Risk weighted assets	**62,028**	68,962	(10)
Return on risk weighted assets	**2.2%**	1.7%	

[1] Excludes $219 million (2014: $(5) million) relating to gains/(losses) on sale of business

Operating income fell 4 per cent to $2,888 million, impacted by foreign currency translation and the sale of the Consumer Finance business. Adjusting for these factors, underlying income growth was 2 per cent reflecting a strong performance by Wealth Management.

Wealth Management income grew 25 per cent driven by AuM growth of 10 per cent, and broad-based growth across all products. Bancassurance income benefitted from the renewal of a strategic multi-year partnership with Prudential in 2014.

CCPL income declined 18 per cent, or $239 million, due to foreign currency translation, the sale of the Consumer Finance business and the impact of the de-risking of the personal lending portfolio mainly in Korea.

Income from Mortgages and Auto declined 10 per cent due to foreign currency translation and margin compression.

Income from Deposits increased 3 per cent with continued growth in Customer Accounts and Savings Accounts (CASA) volumes and the roll-off of higher cost Time Deposits offsetting the impact of foreign currency translation and the sale of the Consumer Finance business.

Expenses were 5 per cent lower at $1,857 million as a result of foreign currency translation, cost efficiency initiatives and the sale of the Consumer Finance business.

Loan impairment fell 24 per cent to $364 million due to lower levels of unsecured lending impairments in Korea following the de-risking actions we have taken and the sale of the Consumer Finance business.

Operating profit increased by $86 million, or 14 per cent, to $680 million.

Balance sheet

Loans and advances to customers fell by 4 per cent due to foreign currency translation, the sale of the Consumer Finance business and the impact of the de-risking actions. This decline was partly offset by the growth of mortgages in Hong Kong and Korea. The underlying growth in assets was 3 per cent adjusting for foreign currency translation and Consumer Finance sale.

RWAs fell by 10 per cent reflecting the sale of the Consumer Finance business and de-risking actions. Operating profit return on RWAs improved to 2.2 per cent from 1.7 per cent in H1 2014 driven by the 14 per cent increase in operating profit and a 10 per cent reduction in RWAs.

Operating income by product and segment

Income by product and client segment is set out below:

	6 months ended 30.06.15				
	Total $million	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million
Lending and Portfolio Management	475	374	101	-	-
Transaction Banking	1,777	1,538	233	-	6
Trade	864	729	129	-	6
Cash Management and Custody	913	809	104	-	-
Financial Markets	1,528	1,442	86	-	-
Foreign Exchange	720	647	73	-	-
Rates	491	483	8	-	-
Commodities and Equities	243	229	14	-	-
Capital Markets	(83)	(65)	(18)	-	-
Credit and Other[1]	157	148	9	-	-
Corporate Finance	1,108	1,100	8	-	-
Wealth Management	952	-	53	214	685
Retail Products[1]	2,206	-	8	83	2,115
CCPL	1,077	-	-	1	1,076
Deposits	612	-	7	58	547
Mortgage and Auto	423	-	-	24	399
Other Retail Products	94	-	1	-	93
Asset and Liability Management	278	173	16	7	82
Principal Finance	171	179	(8)	-	-
Total Operating income[1]	8,495	4,806	497	304	2,888

[1] Excludes $55 million relating to an own credit adjustment and $219 million relating to net gains on businesses sold

	6 months ended 30.06.14				
	Total $million	Corporate & Institutional $million	Commercial $million	Private Banking $million	Retail $million
Lending and Portfolio Management	529	393	136	-	-
Transaction Banking	1,918	1,603	302	1	12
Trade	999	824	162	1	12
Cash Management and Custody	919	779	140	-	-
Financial Markets	1,780	1,662	118	-	-
Foreign Exchange	636	537	99	-	-
Rates	371	363	8	-	-
Commodities and Equities	262	252	10	-	-
Capital Markets	284	280	4	-	-
Credit and Other[1]	227	230	(3)	-	-
Corporate Finance	1,241	1,227	14	-	-
Wealth Management	817	-	64	205	548
Retail Products[1]	2,440	-	2	94	2,344
CCPL	1,315	-	-	-	1,315
Deposits	598	-	2	65	531
Mortgage and Auto	474	-	-	29	445
Other Retail Products[1]	53	-	-	-	53
Asset and Liability Management	420	278	22	14	106
Principal Finance	129	171	(42)	-	-
Total Operating income[1]	9,274	5,334	616	314	3,010

[1] Excludes $(15) million relating to an own credit adjustment and $5 million relating to fair value loss on businesses held for sale

Transaction Banking: Income fell 7 per cent with Trade income down 13 per cent and Cash Management and Custody income down 1 per cent, impacted by continuing market headwinds, including adverse foreign currency translation and de-risking actions. Trade income fell as a result of subdued global trade finance demand, and abundant liquidity in key markets, further impacted by a slowdown in Asian emerging markets. Trade balances have reduced, particularly with commodity-linked clients. Cash Management income declined with margins impacted by lower interest rates in a number of our markets. This was partially offset by growth in quality operating balances and clearing volumes. Custody income rose due to higher transaction volumes, especially in Asia, linked partly to market liberalisation initiatives benefitting both investors and intermediary clients.

Financial Markets: Income was down 14 per cent impacted by incremental mark-to-market valuations of $263 million on loan positions, subdued syndication loan volumes and weaker Commodities income. This was partially offset by strong growth in Rates and FX. Excluding mark-to-market valuations on loan positions, Financial Markets income rose 1 per cent.

Capital Markets income decline impacted by mark-to-market valuations on loan positions originated before 2013 and lower Syndication volumes due to market contraction in our footprint. Income from Debt Capital Markets was largely flat. Commodities income fell due to lower precious metals revenue offsetting higher income from our energy business.

Rates income was up 32 per cent primarily driven by increased Structured Callable Note issuances. Increased market volatility as a result of by central bank action across our footprint markets helped increase client flows and hedging activities, resulting in a strong performance. FX income rose 13 per cent. Increased volatility drove substantially higher volumes in G10 currency pairs with lower spreads. This growth in Rates and FX income was primarily amongst Financial Institution clients.

Corporate Finance: Income fell 11 per cent due to high liquidity and strong competition across our footprint markets. This resulted in pricing pressures and lower origination levels in our financing businesses.

Lending and Portfolio Management: Income fell 10 per cent due to margin compression and lower balances. The decline in balances was driven by more selective asset origination and continued prioritisation of returns optimisation.

Wealth Management: Income rose 17 per cent driven by active client advisory and rebalancing activities supported by favourable market conditions. Growth was broad-based across all products, with bancassurance income driven by the focus on capturing value from our strategic multi-year bancassurance partnership with Prudential. AuM grew strongly as a result of supportive market conditions and net new money into Managed Investments and Equities due to a stronger value proposition.

Retail Products: Income fell 10 per cent due to the sale of the Consumer Finance business, foreign currency translation and the impact of de-risking actions completed in 2014. Mortgage balances increased, driven by higher transactions in Hong Kong and Korea. Deposits income increased 2 per cent reflecting the continued growth of current and savings accounts.

Asset and Liability Management: Income decreased 34 per cent due to lower accruals income partially offset by an increase in gains from liquidation of available for sale holdings.

Principal Finance: Income up 33 per cent, benefitting from higher mark-to-market valuations on investments, partially offset by lower net interest income due to loan asset sales and repayments. Investment realisations generated gains similar to the first half of 2014.

Operating profit/(loss) relating to business exits

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million
Operating income	**102**	275
Other operating expenses	**(48)**	(123)
Restructuring costs	**(35)**	(12)
Operating expenses	**(83)**	(135)
Loan impairment	**(31)**	(75)
Operating (loss)/profit	**(12)**	65

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

H1 2015:

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

2014:

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

The businesses exited contributed $102 million of income to 2015 (H1 2014 $275 million) and operating loss of $12 million in 2015 (H1 2014 operating profit $65 million) which will not recur in future periods. The amounts in the table above reflect the operating income and costs of the businesses exited and excludes any gains or losses on sale and any disposal costs incurred.

Standard Chartered PLC – Geographic Analysis

Performance by geographic region

The following tables provide an analysis of operating income and profit by geographic region:

	6 months ended 30.06.15								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income[1]	2,854	730	718	1,617	835	759	440	542	8,495
Operating profit/(loss)[1]	1,166	62	(170)	347	226	141	29	23	1,824

[1] Excludes $55 million in respect of own credit adjustment (Greater China $15 million, North East Asia $1 million, ASEAN $16 million, MENAP $2million and Europe $21 million) and $219 million relating to gains/(losses) on businesses sold/held for sale (Greater China $250 million, NEA $(33) million and MENAP $2 million)

	6 months ended 30.06.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Operating income[1]	2,785	714	959	1,920	951	878	414	653	9,274
Operating profit/(loss)[1]	1,152	(111)	519	701	442	317	114	139	3,273

[1] Excludes $(15) million in respect of own credit adjustment (Greater China $33 million, ASEAN $(27) million and Europe $(21) million) and $(5) million in North East Asia in respect of fair value losses on Korean businesses held for sale

Greater China

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	2,511	2,532	(1)
Other Income	343	253	36
Operating income[1]	2,854	2,785	2
Operating expenses	(1,474)	(1,410)	(5)
Loan impairment	(290)	(212)	(37)
Other impairment	(1)	(95)	99
Profit from associates and joint ventures	77	84	(8)
Operating profit	1,166	1,152	1
Net Interest margin (%)	1.6	1.8	
Customer loans and advances[2]	86,429	95,848	(10)
Customer deposits[2]	141,700	140,491	1
Risk weighted assets[3]	63,350	65,299	(3)

[1] Excludes $15 million (2014: $33 million) in respect of own credit adjustment and $250 million relating to profit on businesses sold

[2] Based on the location of the clients rather than booking location

[3] Based on the booking location

Income in Greater China was up $69 million, or 2 per cent, to $2,854 million, despite a slowing macro environment.

Income growth remained resilient across most client segments. In Retail Clients, income rose 4 per cent; in Private Banking Clients, income was up 19 per cent; in Corporate and Institutional Clients, income grew 3 per cent; while in Commercial Clients income was down 13 per cent. Performance was impacted by challenging market conditions, selective asset origination and actions to de-risk our commodities exposure.

Financial Markets income was lower, due to a reduction in derivatives sales income. The decline was primarily in FX Options as increased RMB volatility reduced client activities in the first half of the year. This was partly offset by strong growth in Rates and Credit income.

In Corporate Finance, income declined marginally year on year as lower transaction flows and reduced client activities in Strategic Finance offset growth in the leasing business.

Transaction Banking income fell, with Trade income down as a result of subdued global trade finance demand and abundant liquidity. Cash Management and Custody income rose, with lower margins offset by higher transaction volumes and increased customer investment appetite.

Wealth Management income was up strongly with broad-based growth across all major product categories, and an increase in AuM.

Income from Retail banking products grew moderately excluding the impact of the exit of the Consumer Finance business. Retail Deposits grew strongly, benefiting from the continuing growth of CASA. Income from CCPL declined with lower average balances in the unsecured lending portfolio in Hong Kong and Taiwan.

Other income increased 36 per cent due to higher Principal Finance income.

Income from mortgages grew moderately, driven by higher transactions volumes in Hong Kong.

Operating expenses were 5 per cent higher, reflecting higher depreciation from our leasing business, closure costs of the Cash Equities business and higher regulatory and compliance costs. Underlying costs continued to be tightly managed and efficiency initiatives have reduced headcount since the beginning of the year.

Loan impairment was $78 million higher at $290 million, while Other impairment declined by $94 million. Impairment in China remained elevated, primarily in Corporate and Institutional Clients, but lower than in H2 2014.

Operating profit for Greater China increased 1 per cent to $1,166 million.

Balance sheet

Customer loans and advances fell by 10 per cent primarily due to further de-risking and RWAs fell 3 per cent.

Customer deposits increased 1 per cent as we grew CASA balances.

North East Asia

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income[1]	**642**	677	(5)
Other income	**88**	37	138
Operating income[1]	**730**	714	2
Operating expenses	**(525)**	(616)	15
Loan impairment	**(136)**	(209)	35
Other impairment	**(7)**	-	nm[2]
Operating profit/(loss)	**62**	(111)	156
Net interest margin (%)	**1.7**	2.0	
Customer loans and advances[3]	**30,135**	29,626	2
Customer deposits[3]	**31,295**	33,972	(8)
Risk weighted assets[4]	**21,672**	25,453	(15)

[1] Excludes $1 million (2014: $nil million) relating to own credit adjustment and $(33) million (2014: $(5) million) relating to loss on businesses sold / held for sale

[2] Not meaningful

[3] Based on the location of the clients rather than booking location

[4] Based on the booking location

Income was up 2 per cent at $730 million, and up 8 per cent on a constant currency basis. Korea represents 95 per cent of income within this region.

Client income fell 5 per cent reflecting both difficult market conditions and the impact of management actions to return the Korea franchise to profitability. Retail Clients income fell 9 per cent, primarily resulting from the de-risking of the Korea personal lending portfolio. Corporate and Institutional Clients income rose 6 per cent, reflecting an improvement in Financial Markets performance and higher Corporate Finance income.

Other income rose $51 million, reflecting a $42 million gain on sale of a landmark building in H1 2015 and the impact of closure charges in respect of consumer finance entities in H1 2014.

Income earned from Korean businesses elsewhere in the Group’s network showed a strong growth up by 8 per cent compared to H1 2014.

Expenses were15 per cent lower at $525 million, reflecting the impact of management actions to reduce headcount and continued rationalisation of the branch network, with 45 branches closed since June 2014.

Loan impairment fell by $73 million, or 35 per cent. In Retail Clients loan impairment related to the Personal Debt Rehabilitation Scheme (PDRS) filings fell by 54 percent reflecting the impact of the maintenance of tightened credit underwriting criteria.

As a result North East Asia returned to an Operating profit of $62 million from the loss of $111 million in the first half of 2014.

Balance sheet

Customer loans and advances grew by 2 per cent driven by further growth in mortgage assets where we continued to take advantage of a relaxation in regulatory restrictions on mortgage lending in Korea. This more than offset the continued decline in unsecured lending balances.

RWAs fell 15 per cent primarily due to the continuing de-risking actions on the unsecured portfolio and RWA optimization actions in Transaction Banking.

Customer deposits fell 8 per cent with increased CASA balances offset by a reduction in Time Deposits.

South Asia

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	**798**	889	(10)
Other income	**(80)**	70	(214)
Operating income	**718**	959	(25)
Operating expenses	**(385)**	(379)	(2)
Loan impairment	**(485)**	(61)	nm[1]
Other impairment	**(18)**	-	nm[1]
Operating (loss)/profit	**(170)**	519	(133)
Net interest margin (%)	**4.0**	4.0	
Customer loans and advances[2]	**23,414**	24,324	(4)
Customer deposits[2]	**16,557**	15,835	5
Risk weighted assets[3]	**25,788**	28,678	(10)

[1] Not meaningful

[2] Based on the location of the clients rather than booking location

[3] Based on the booking location

Income fell $241 million, or 25 per cent, to $718 million, mainly due to a challenging business environment and management actions to reduce RWAs and de-risk the portfolio, coupled with mark-to-market valuations on a small number of Capital Market positions.

Client income fell 10 per cent primarily due to reduced income from Lending, Corporate Finance and Financial Markets products. Lending and Corporate Finance income fell due to lower deal origination as corporate activity and credit growth in India remained muted, coupled with conscious actions to reduce RWAs. Financial Markets income was impacted by reduced hedging opportunities in Rates from lower deal flow. This was partly offset by higher Cash FX income as we increased our focus on growing flow business volumes.

Transaction Banking income fell marginally. Balances in Cash Management and Securities Services increased, driven by higher investment and equity flows respectively. This was offset by a decline in Trade income due to lower commodity prices and reduced margins on account of increased competition for short dated assets.

Wealth Management income rose strongly, benefitting from the renewal of the bancassurance partnership with Prudential and higher investment sales due to buoyancy in equity markets. This was offset by lower income from Retail products as we de-risked the unsecured portfolio.

Operating expenses were 2 per cent higher to $385 million as we continue to manage costs tightly through rationalisation of headcount and premises, despite inflationary pressures.

Loan impairment increased by $424 million to $485 million. Corporates were impacted by continued stress on their balance sheets coupled with a more challenging refinancing environment.

Operating profit fell $689 million to a loss of $170 million.

Balance sheet

Customer lending fell 4 per cent mainly due to maturities and lower deal origination in the offshore book. Onshore customer lending grew 5 per cent over H1 2014, as credit growth across the banking industry in India remained muted. This was matched by a 5 per cent growth in customer deposits. RWAs fell 10 per cent.

ASEAN

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	**1,543**	1,746	(12)
Other income	**74**	174	(57)
Operating income[1]	**1,617**	1,920	(16)
Operating expenses	**(973)**	(1,030)	6
Loan impairment	**(328)**	(215)	(53)
Other impairment	**(1)**	(3)	67
Profit from associates and joint ventures	**32**	29	10
Operating profit	**347**	701	(50)
Net interest margin (%)	**1.7**	1.9	
Customer loans and advances[2]	**74,006**	86,561	(15)
Customer deposits[2]	**90,548**	98,275	(8)
Risk weighted assets[3]	**77,099**	81,173	(5)

[1] Excludes $16 million (2014: $(27) million) in respect of own credit adjustment

[2] Based on the location of the clients rather than booking location

[3] Based on the booking location

Operating income was down $303 million, or 16 per cent, to $1,617 million due to a 12 per cent decline in client income and mark-to-market valuations on loan positions.

Client income decreased by 12 percent due to difficult market conditions, foreign currency translation impact, regulatory headwinds and deliberate management actions.

Transaction Banking income fell primarily due to weaker market conditions and de-risking. Financial Markets income was also down due to continued margin compression and lower commodities pricing, which more than offset increased volumes. Corporate Finance income fell reflecting excess market liquidity. Income from Retail products was lower due to ongoing de-risking in unsecured lending, exit of non-strategic sales models and regulatory measures which impacted key markets such as Singapore. Wealth Management income increased, benefitting from the renewal of the multi-year bancassurance partnership with Prudential and increased product penetration.

Operating expenses were $57 million lower, or 6 per cent, to $973 million as a result of cost efficiency initiatives, including headcount rationalisation and property optimisation.

Loan impairment rose $113 million, or 53 per cent, to $328 million, although down 32 per cent from the second half of 2014, driven by continued economic slowdown and sustained low commodity prices resulting in provisions being taken on a small number of corporate clients. Retail provisions also increased as we exited non-strategic unsecured segments.

As a result, ASEAN operating profit was $347 million, down 50 per cent compared to H1 2014.

Balance sheet

Customer loans and advances fell 15 per cent largely as we reduced exposures to low returning relationships and reflecting lower Trade balances.

RWAs dropped 5 per cent due to a combination of a reduction in volumes as well as the benefit from RWA management initiatives more than offsetting the increases due to changes in policy and model methodology.

Customer deposits fell 8 per cent, with the proportion of CASA balances increasing as more expensive Time Deposits matured.

Middle East, North Africa and Pakistan (MENAP)

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	**749**	839	(11)
Other income	**86**	112	(23)
Operating income[1]	**835**	951	(12)
Operating expenses	**(475)**	(482)	1
Loan impairment	**(134)**	(27)	(396)
Operating profit[1]	**226**	442	(49)
Net interest margin (%)	**2.8**	3.0	
Customer loans and advances[2]	**21,658**	23,941	(10)
Customer deposits[2]	**22,943**	23,768	(3)
Risk weighted assets[3]	**28,842**	31,022	(7)

[1] Excludes $2 million (2014: $nil million) relating to own credit adjustment and $2 million (2014: $nil million) relating to profit on businesses sold

[2] Based on the location of the clients rather than booking location

[3] Based on the booking location

Operating income fell $116 million, or 12 per cent, to $835 million. Client income fell 11 per cent primarily due to de-risking and subdued corporate activity.

Transaction Banking income was lower due to de-risking and margin compression. FX volumes increased, particularly in Financial Institutions. Income from Lending was impacted by lower interest rates and surplus liquidity in the market.

Income from CCPL was down, impacted by margin compression and competitor pricing which more than offset a strong performance in Retail Deposits.

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

Loan impairment increased by $107 million to $134 million due to increased specific provisions on a small number of corporate clients.

Operating profit was down $216 million, or 49 per cent, to $226 million.

Balance sheet

Customer loans and advances were down 10 per cent due to de-risking and material repayments, while origination activities were impacted by excess market liquidity. RWAs decreased 7 per cent. Customer deposits were down 3 per cent with CASA outflows partly offset by increased Time Deposits.

Africa

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	**739**	737	-
Other income	**20**	141	(86)
Operating income	**759**	878	(14)
Operating expenses	**(467)**	(467)	-
Loan impairment	**(148)**	(94)	(57)
Other impairment	**(3)**	-	nm[1]
Operating profit	**141**	317	(56)
Net interest margin (%)	**4.9**	4.7	
Customer loans and advances[2]	**12,758**	13,766	(7)
Customer deposits	**10,928**	13,948	(22)
Risk weighted assets[3]	**18,851**	19,866	(5)

[1] Not meaningful

[2] Based on the location of the clients rather than booking location

[3] Based on the booking location

Operating income in Africa fell 14 per cent to $759 million, with client income flat. Income performance was impacted significantly by foreign currency translation as well as by slowing GDP across the region and low oil and other commodity prices.

Transaction Banking income fell due to foreign currency translation and the impact of falling commodity prices which reduced Trade balances. Financial Markets income rose with strong volume growth partly offset by margin compression as competition intensified across the region. Corporate Finance income was up with an increase in the number of deals closed.

Other income fell 86 per cent largely due lower Principal Finance income.

Operating expenses were flat reflecting the impact of foreign currency translation and the benefit of efficiency initiatives undertaken in the first half, offset by inflationary pressures across the region.

Loan impairment rose $54 million, or 57 per cent, mainly attributable to increased specific provisions in the Corporate and Institutional Client segment.

Operating profit fell 56 per cent compared to H1 2014 to $141 million.

Balance sheet

Customer loans were down 7 per cent while RWAs fell 5 per cent.

Customer deposits fell 22 per cent as we repositioned away from Time Deposits and increased the proportion of funding derived from CASA.

Americas

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	**417**	400	4
Other income	**23**	14	64
Operating income	**440**	414	6
Operating expenses	**(392)**	(300)	(31)
Loan impairment	**(19)**	-	nm[1]
Operating profit	**29**	114	(75)
Net interest margin (%)	**0.5**	0.6	
Customer loans and advances[2]	**12,498**	11,277	11
Customer deposits[2]	**25,538**	17,940	42
Risk weighted assets[3]	**13,675**	12,572	9

[1] Not meaningful

[2] Based on the location of the clients rather than booking location

[3] Based on the booking location

Operating income rose 6 per cent to $440 million compared to H1 2014, with increased client activity and higher sales across FX and Rates products. Client income was up 4 per cent.

Transaction Banking income fell, with Cash income impacted by de-risking, and Trade income lower due to margin compression, lower yielding inbound assets from Asia, and softer demand as a result of abundant liquidity in the market. Lending income rose as a result of increased financing fees. Corporate Finance income declined due to delays in executing pipeline deals and lower assets.

Operating expenses were $92 million, or 31 per cent higher at $392 million, largely due to increased regulatory compliance costs.

Loan impairment rose to $19 million.

Operating profit fell $85 million, or 75 per cent, to $29 million.

Balance sheet

Customer loans and advances rose 11 per cent, with RWAs increasing by 9 per cent as RWA optimisation and de-risking initiatives partly offset asset growth.

Customer deposits increased by 42 per cent due to ALM maintaining a high level of short tenor Time Deposits as a measure to support liquidity ratios.

Europe

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	Better / (worse) %
Client income	508	558	(9)
Other Income	34	95	(64)
Operating income[1]	542	653	(17)
Operating expenses	(351)	(399)	12
Loan impairment	(112)	(28)	(300)
Other impairment	(56)	(87)	36
Operating profit	23	139	(83)
Net interest margin (%)	0.5	1.0	
Customer loans and advances[2]	21,441	19,718	9
Customer deposits[2]	49,286	46,294	6
Risk weighted assets[3]	87,062	98,505	(12)

[1] Excludes $21million (2014: $(21) million) in respect of own credit adjustment and $(1) million (2014: $nil million) relating to loss on businesses sold

[2] Based on the location of the clients rather than booking location

[3] Based on the booking location

Income was down $111 million, or 17 per cent to $542 million. Client income declined 9 per cent, largely as a result of management actions to reshape the business which included exiting the Retail business in Germany and the Private Banking business in Geneva as well as the closure of the Cash Equities business.

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

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

Corporate Finance income was flat, with higher income from Strategic Finance offset by lower Structured Finance income following aircraft sales.

Lending income increased reflecting lower Portfolio Management losses partly offset by lower lending income, as increased competition led to margin compression.

Wealth Management income fell following the divestment of the Private Bank in Geneva. Retail Products income declined following the sale of the Retail business in Germany.

Income from ALM declined as holdings of liquid assets for regulatory purposes and capital raising requirements significantly increased, whilst net interest accruals and investment yields fell.

Operating expenses were $48 million lower, or 12 per cent, to $351 million driven by business re-shaping actions and favourable foreign currency translation.

Loan impairment increased by $84 million to $112 million, with higher provisions against a small number of commodity clients.

Other impairment fell $31 million to $56 million as the prior year was impacted by provisions against certain strategic and associate investments and a share of a commodity fraud loss.

Operating profit fell by $116 million to $23 million.

Balance sheet

Customer loans and advances rose 9 per cent as increased Financial Market Credit balances offset lower Trade Financing balances and repayments in Corporate Finance. Customer deposits increased 6 per cent driven by higher Financial Market Credit and commodity balances, offsetting lower deposits from banks. RWAs fell 12 per cent.

Standard Chartered PLC – Group Balance Sheet

Group summary consolidated balance sheet

	30.06.15 $million	31.12.14 $million	Increase / (decrease) $million	Increase / (decrease) %
Assets				
Cash and balances at central banks	**77,274**	97,282	(20,008)	(21)
Loans and advances to banks[1]	**83,182**	87,500	(4,318)	(5)
Loans and advances to customers[1]	**282,339**	288,599	(6,260)	(2)
Investment securities[1]	**135,132**	129,347	5,785	4
Derivative financial instruments	**60,858**	65,834	(4,976)	(8)
Other assets	**56,171**	57,352	(1,181)	(2)
Total assets	**694,956**	725,914	(30,958)	(4)
Liabilities				
Deposits by banks[1]	**50,574**	55,323	(4,749)	(9)
Customer accounts[1]	**388,795**	414,189	(25,394)	(6)
Debt securities in issue[1]	**80,381**	80,788	(407)	(1)
Derivative financial instruments	**58,651**	63,313	(4,662)	(7)
Subordinated liabilities and other borrowed funds	**22,197**	22,947	(750)	(3)
Other liabilities[1]	**45,014**	42,616	2,398	6
Total liabilities	**645,612**	679,176	(33,564)	(5)
Equity	**49,344**	46,738	2,606	6
Total liabilities and shareholders' funds	**694,956**	725,914	(30,958)	(4)

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

Balance sheet
The Group's balance sheet remains resilient and well diversified. We continue to be highly liquid and primarily deposit funded, with an advances to deposits ratio of 72.6 per cent, up from 69.7 per cent at the end of 2014. The Group continue to be a net lender into the interbank market, particularly in the Greater China, ASEAN and Europe regions. The Group's funding structure remains conservative, with limited levels of refinancing over the next few years.

The Group remains well capitalised and our end point Common Equity Tier 1 ratio increased to 11.5 per cent from 10.7 per cent at the year end reflecting management actions undertaken in the first half of 2015 to manage returns and de-risk the balance sheet. This contributed to a 5 per cent reduction in RWAs and a 4 per cent fall in total assets.

The profile of the Group's balance sheet, however remains stable, with over 70 per cent of our financial assets held at amortised cost, and 58 per cent of total assets have a residual maturity of less than one year.

Cash and balances at central banks
Cash balances fell $20 billion as we exited bank and customer deposits and reduced surplus liquidity balances.

Loans and advances to banks and customers
Loans to banks and customers fell by $10.5 billion.

Loans to Corporate and Institutional clients and Commercial clients remain well diversified by geography and client segment. During the first half of 2015 we continued to reshape the portfolio, de-risking and exiting low returning clients which contributed to the reduction in loan balances compared to 2014. Lending fell $4.7 billion, primarily concentrated in Greater China (down $4.8 billion) across "Mining and Quarrying" and Consumer Durables sectors.

Retail and Private Banking clients lending fell $1.6 billion, or 1 per cent, with unsecured lending falling $1.6 billion as we de-risked the portfolio, across a number of our major markets. This was partly offset by an increase in secured Wealth products across the ASEAN region. Mortgages rose 1 per cent with growth in NEA following a relaxation of restrictions in Korea partly offset by lower balances in ASEAN.

Loans to banks fell by 5 per cent, or $4.3 billion with lower balances in Europe as we placed surplus liquidity across our footprint markets.

Investment securities
Investment securities rose by $6 billion as we re-positioned liquid assets, increasing holdings of Treasury Bills and highly rated corporate debt securities in line with the eligibility criteria for liquid asset buffers. The maturity profile of these assets is largely consistent with prior years, with around 40 per cent of the book having a residual maturity of less than 12 months.

Derivatives
Customer appetite for derivative transactions has increased currency volatility in G10 currencies in H1 2015 and higher demand for interest rate derivatives due to increasing expectations of a rate rise in the US. This led to increase in notional values, but the unrealised positive mark to market positions were $5 billion lower at $61 billion reflecting a higher volume of short dated transactions. The Group's risk positions continue to be largely balanced, resulting in a corresponding increase in negative mark to market positions. Of the $59 billion mark to market positions, $40 billion was available for offset due to master netting agreements.

Deposits
Customer accounts fell $25 billion, or 6 per cent, and deposits by banks fell $5 billion, as we de-risked assets and exited higher cost Time Deposits across a number of markets. CASA continues to be core of the customer deposit base, constituting 54 per cent of customer deposits.

Debt securities in issue, subordinated liabilities and other borrowed funds
Debt securities in issue and subordinated debt remain broadly stable compared to December 2014 with balances down $1 billion, largely due to foreign currency movements.

Equity
Total shareholders' equity was $2.6 billion higher at $49.3 billion reflecting the issuance of $2 billion of Additional Tier 1 instruments during the period, profit accretion for the year of 1.5 billion which was offset by dividend payments (net of scrip) of $0.5 billion and the negative impact of foreign currency translation of $0.6 billion.

Standard Chartered PLC – Risk and Capital review

The following parts of the Risk and Capital review form part of the interim financial statements:

- From the start of 'Principal uncertainties' on page 35 to the end of the 'Liquidity risk' section on page 59, excluding:
  - Country cross-border risk, page 52
  - Market risk in 2015 – Back testing, page 54
  - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), page 55
  - Encumbered assets, page 56
  - Readily available to secure funding, page 56
- From the start of 'CRD IV capital base' on page 61 to the end of 'Movement in total capital' on page 62, excluding capital ratios and risk weighted assets (RWA) amounts

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

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

There have been no material changes to the Group's policies and practices regarding risk and capital management and governance as described in the 2014 Annual Report and Accounts.

Risk overview

The Group manages enterprise wide risk, through its risk management framework with the objective of maximising risk adjusted returns while remaining within the Group's risk appetite. The Group is exposed to a range of risks such as credit, country cross-border, market, liquidity, operational, pension, reputational and other risks that are inherent to our strategy, product range and geographic coverage.

The liquidity position of the Group remained strong in the first half of 2015 and market risk levels remained lower than in the corresponding period last year.

There have been no material operational risk events in the first half of 2015.

One of the main risks to the Group arises from extending credit to customers through our trading and lending operations. A more detailed review of credit risk is given in the following paragraphs.

The Group continued to face significant economic headwinds in the first half of 2015. Pressures on the corporate sector in India intensified and falls in the prices of a number of commodities persisted. The Group's total impairment (excluding impairment of goodwill) increased to $1,738 million (H2 2014: $1,513 million; H1 2014: $1,031 million). Other impairment fell by $132 million as H2 2014 was impacted by commodities related impairment and write down of investments in associates. Loan Impairment increased to $1,652 million (H2 2014: $1,295 million; H1 2014: $846 million). The Retail Clients segment benefited from improvements seen mainly in Korea, with loan impairment reducing by $94 million compared with H2 2014. Loan impairment in Private Banking included $93 million relating to an isolated incident. In the Corporate and Institutional Clients (CIC) and Commercial Clients (CC) segments loan impairment at $1,194 million was $357 million higher than in the H2 2014, mainly in India where loan impairment was up $369 million. The cover ratio for the CIC and CC segments has increased to 52 per cent (H2 2014: 47 per cent; H1 2014: 48 per cent).

22 per cent of the Group's loan impairment in H1 2015 was in the Retail Clients segment, which has shown signs of improvement in the first half of 2015 compared to H2 2014. Reduction in Retail loan impairment was mainly attributable to the disposal of the Group's Consumer Finance businesses (Korea, Hong Kong and China) and lower losses in Korea. Loan impairment in Korea fell $36 million, or 30 per cent, compared to H2 2014. Korea represents 23 per cent of total Retail loan impairment compared to 26 per cent in H2 2014. Impairment reduction in Korea was due to disposal of Consumer Finance and lower losses on the unsecured portfolio reflecting risk-mitigating actions to tighten underwriting standards in 2013 and 2014 together with improved portfolio indicators on bankruptcy filings under the Korean Personal Debt Rehabilitation Scheme (PDRS).

The Retail Clients segment is focused on secured lending and wealth management. The Residential Mortgages Loan to Value (LTV) ratio continues to be low at 49 per cent. New customer acquisition for unsecured business is limited to priority, high value customers and employee banking segments, and customers with low indebtedness. This is in line with the Group's strategic priorities and is expected to continue reducing loan impairment volatility, as evident in the first half of 2015.

The loan impairment charge in the CIC and CC segments increased to $1,194 million (H2 2014: $837 million; H1 2014: $366 million). This represents 138 basis points (bps) (H2 2014: 94 bps; H1 2014: 41 bps) of average customer loans and advances. Loan impairment is at an elevated level since the second half of 2014 in the context of a prolonged slowdown in India and in commodities.

In the first half of 2015, the impairment from loans and advances to the commodity sector remained at elevated levels due to further softening in the prices of certain commodities (notably coal, iron ore and oil). Although this has not highlighted any additional material vulnerability over and above what was identified in 2013 and 2014, the stress intensified on accounts previously identified as vulnerable which were either on the Group's watch list or part of the existing non-performing loans (NPL).

Loan impairment for the CIC and CC segments in India increased to $474 million (H2 2014: $105 million; H1 2014: $45 million). India has faced a slowdown in economic growth since 2012, relative to the higher rates of previous years, combined with high indebtedness in some corporate sectors and lower appetite for refinancing, reducing the success of corporate debt restructurings and distribution efforts. India corporate metrics continue to be stressed owing to depressed demand, regulatory changes, lack of deleveraging and increase in refinancing risk. Corporate performance, as indicated by quarterly earnings, for the first quarter of 2015 was the worst in the last 10 quarters. Credit growth for the corporate sector has been at its lowest in the last two decades. This, coupled with difficult conditions, especially for companies involved in infrastructure projects, has resulted in a disproportionate impact on some clients which were already under stress and either on the Group's watch list or part of the NPL. Approximately 80 per cent of the loan impairment in India relates to the existing NPLs. A significant part of this impairment is due to the restructuring of a small number of the most vulnerable accounts in the telecom, infrastructure related and commodity sectors. These clients have underperformed due to macroeconomic or structural issues resulting in delays in refinancing through the sale of assets or through access to capital markets.

India, China and commodities are, in effect, a continuation of themes from 2012 and 2013. The Group continues to be disciplined in its approach and has been taking risk mitigation actions throughout this period. In the first half of 2015 the Group has continued to take risk mitigation actions with respect to vulnerabilities in its portfolio in India, China and commodities.

Net NPLs are higher by $399 million at $4.0 billion compared to the second half of 2014 (H2 2014: $3.6 billion; H1 2014: $3.4 billion). This increase is primarily in the CIC and CC segments and is driven by a small number of exposures in ASEAN, and the Commodities sector.

An overview of the CIC and CC segments is presented together as these segments have similar risk characteristics.

The CIC and CC section covers the following:

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

The Retail Clients section covers the following:

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

Corporate and Institutional Clients and Commercial Clients

Exposures to the CIC and CC segments are presented in this Risk Overview section on a net exposure basis (unless stated otherwise), which comprises loans and advances to banks and customers, investment securities, derivative exposures after master netting agreements, cash and balances at central banks, other assets, contingent liabilities and documentary credits.

As at 30 June 2015, the net exposure for CIC and CC segments was $534 billion (H2 2014: $572 billion; H1 2014: $547 billion), of which loans and advances to customers and banks was $252 billion (H2 2014: $260 billion; H1 2014: $277 billion). The net exposure decreased by $38 billion in the first half of 2015 principally due to a $20 billion reduction in central bank balances and an $8 billion reduction in loans and advances.

	30.06.15	31.12.14	30.06.14	31.12.13
	$billion	$billion	$billion	$billion
Net exposure	**534**	572	547	525
Loans and advances to customers and banks	**252**	260	277	265

The geographic analysis presented in this section is based on country of credit responsibility. This differs from the financial booking location, which is used in the geographic analysis in the Risk Profile section (see page 38), in that all global exposures to a client group are reported in the primary country of the parent entity. This represents a more complete view of credit risk exposure to client groups from a particular country and is aligned to the Group's credit risk management approach.

Portfolio indicators

Throughout the first half of 2015, the CIC and CC portfolio remained diversified across industry sectors and geographies. The proportion of CIC and CC loans and advances to customers which are short term remained stable at 65 per cent (H2 2014: 65 per cent; H1 2014: 66 per cent). The Group's 20 largest exposures to corporate client groups have reduced by 11 per cent compared to H2 2014 and 17 per cent compared to H1 2014. The collateralisation level for Corporate and Non-Bank Financial Institutions has increased by 1 per cent, and the collateral for long term (greater than one year) sub-investment grade exposure has increased by 4 per cent to 59 per cent (H2 2014: 55 per cent; H1 2014: 60 per cent).

The Group has a structured approach to portfolio analysis and stress testing to ensure it regularly takes a view of likely economic downside risks which could manifest themselves in the next 12 to 18 months, and takes proactive actions to limit potential vulnerabilities within the portfolio. The Early Alert exposure has increased due to the transfer of a small number of accounts.

The CIC and CC impairments continue to be at an elevated level, which is mainly related to accounts that have been on the Group's watch list for the past 12 to 24 months or were part of the existing NPL.

The increase in net exposure on Early Alert process is due to a few accounts that need closer management. The "past due but not impaired accounts" are higher than they were at the end of 2014 but not at levels that were seen in earlier periods.

The increase in Gross NPL balances is due to the transfer of accounts from our watch list to NPL reflecting of continued weakness in India and Commodities

	30.06.15	31.12.14	30.06.14	31.12.13
CIC and CC portfolio	**$billion**	$billion	$billion	$billion
Per cent of net exposure to customers that is Investment grade	**43%**	42%	40%	40%
Per cent of L&A to Customers that is Investment grade	**39%**	38%	38%	35%
Early Alert (net exposure)	**10.0**	9.2	9.0	11.3
Credit Grade 12	**4.4**	4.7	5.3	2.0
Past due but not impaired	**2.8**	2.3	3.4	3.8
Performing other renegotiated/forborne loans	**4.6**	4.9	5.6	5.3
Gross NPLs	**7.7**	6.6	6.2	5.5

Loan impairment

The loan impairment charge in the CIC and CC segments increased to $1,194 million (H2 2014: $837 million; H1 2014: $366 million). The increase in loan impairment relates primarily to India and is driven by increased stress in corporate balance sheets. This has been further exacerbated by more challenging restructuring conditions for corporates in the local market.

The outlook for commodities continues to be bearish resulting in further pressure on the existing NPLs. The continuing deterioration in commodity prices has not highlighted any additional material vulnerability over and above that identified through the group stress testing program in 2013 and 2014.

India

India has faced a slowdown in economic growth since 2012, relative to the higher rates of previous years. This combined with high indebtedness in some corporate sectors and lower appetite for refinancing, is reducing the success of corporate debt restructurings and distribution efforts. The impact of macro-economic reforms has been slower than the Group's earlier expectation. This is evidenced in corporate earnings data for the first quarter of 2015, which was the worst in the last 10 quarters, and credit growth that has been the lowest in the past two decades.

The Group has been actively managing the India CIC and CC portfolio and exposures have reduced from $42 billion in 2012 to $35 billion in June 2015. The exposures have been reduced for vulnerable accounts while increases in exposure have been limited to select strong client groups.

34 per cent of the exposures are attributable to Investment grade clients (H2 2014:34 per cent; H1 2014:32 per cent). A further 35 per cent of the exposure is short term in nature. Energy, Infrastructure/Telecom constitutes 31 per cent of the total exposure (H2 2014: 28 per cent; H1 2014: 26 per cent).

Commodities

Commodities credit exposure arise from the pursuit of the Group's strategy in its core markets, where commodities form a very significant proportion of the trade flows within and to the Group's footprint countries. The commodities portfolio of $49 billion represented 9 per cent of the total CIC and CC net exposure. Of the $49 billion net exposure, $37 billion was loans and advances. The Group has been actively managing this portfolio in light of a sustained fall in the prices of a number of commodities, reducing the net exposure to the sector by $11.9 billion (20 per cent) over the last 12 months, primarily in the commodity producers' credit portfolio. The tenor profile of the portfolio remains short, with 72 per cent having a remaining maturity of less than one year, which provides further flexibility to rebalance or reduce the exposure to clients or sub-sectors that are particularly vulnerable.

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

Commodities credit portfolio	**30.06.15 $billion**	31.12.14 $billion	30.06.14 $billion	31.12.13 $billion
Commodity Producers	**21.4**	24.3	28.1	30.1
Commodity Traders	**27.4**	30.6	32.6	31.7
Net exposure	**48.8**	54.9	60.7	61.8
Tenor <1 year (%)	**72%**	74%	76%	75%

Overall the quality of the commodities portfolio remains good with 58 per cent of the exposures attributable either to investment grade clients or to global majors or large state owned enterprises (SOEs). A further 33 per cent is short term in nature and hence gives us the flexibility to respond promptly to events and rebalance or reduce the exposure to clients or vulnerable sub-sectors if necessary. A further 5 per cent is tightly structured secured project and corporate finance exposures.

The commodity producers and commodity traders credit portfolios are further analysed below:

Commodity Producers credit portfolio: 63 per cent of the net exposure of $21.4 billion is attributable to clients that are either rated investment grade or are global majors or large SOEs. Of the remaining portfolio, 21 per cent is short term and the majority of the exposures are trade related, and 10 per cent is tightly structured secured project and corporate finance exposures. The Group holds $3.2 billion of collateral and third party guarantees against the exposures that are not to global majors and large SOE clients.

Energy, primarily oil and gas, constitutes 54 per cent of the commodity producers credit portfolio (see Oil and Gas Producers section below). The exposure to metals that have had significant price falls is very small – copper producers make up 0.2 per cent and iron ore 0.1 per cent respectively of CIC and CC net exposure. 71 per cent of these exposures are to clients that are either investment grade or are low cost producers which are part of diversified groups.

Commodity producers credit portfolio	**30.06.15**	31.12.14	30.06.14	31.12.13
Net exposure ($ billion)	**21.4**	24.3	28.1	30.1
Investment Grade / Global Majors / Large SOEs	**63%**	63%	66%	61%
Rest of the portfolio with tenor < 1 year (%)	**21%**	21%	20%	24%

Commodity Traders credit portfolio: 55 per cent of the net exposure of $27.4 billion is attributable to clients that are either rated investment grade or are global majors or large SOEs. Of the remaining portfolio, 43 per cent is short term trade exposures liquidated by underlying transaction flows.

Commodity traders credit portfolio	**30.06.15**	31.12.14	30.06.14	31.12.13
Net exposures ($ billion)	**27.4**	30.6	32.6	31.7
Investment Grade / Global Majors / Large SOEs	**55%**	58%	58%	57%
Rest of the portfolio with Tenor < 1 year (%)	**43%**	40%	39%	40%

Owned Inventory: Under the Structured Inventory Program (SIP) product, the Group provides financing to clients by purchasing commodities from them while agreeing to sell them back at a fixed price in future. The Group owns the commodities inventory and the price risk is hedged. In this portfolio of $2.9 billion (H2 2014: $3.1 billion; H1 2014: $3.9 billion), the Group takes neither credit risk on the client nor market risk on the price of commodities.

81 per cent of the value of the SIP inventory is either in exchange controlled locations, such as London Metals Exchange warehouses, or in low risk jurisdictions such as the US, Western Europe, Singapore and Hong Kong.

Oil and Gas and Related Exposures

As at 30 June 2015, the Group's net exposure to oil and gas and related sectors was $25.6 billion (H2 2014: $28.6 billion). This comprises oil and gas producers (40 per cent), refineries (26 per cent), supporting activities (30 per cent) and other corporate clients with oil and gas related hedges (4 per cent).

Oil and Gas Producers: As at 30 June 2015, the exposure to oil and gas producers was $10.2 billion (H2 2014: $12.9 billion). 96 per cent of this ($9.8 billion) was to clients with either a breakeven oil price below $50 per barrel or to large SOEs. The breakeven prices have been calculated on a debt service coverage ratio of one. Debt service coverage ratio has been computed based on the amount of cash flow available to meet the annual interest and principal payments on debt, if oil prices remain at the breakeven level for a period of up to 12 months. This analysis is conservative as it does not take into consideration refinancing options available to clients, or their ability to defer capital expenditure to conserve cash.

Petroleum Refineries: As at 30 June 2015, the net exposure to petroleum refineries was $6.8 billion (H2 2014: $6.4 billion). The profitability of refiners is driven by gross refining margins and is not directly related to crude oil prices. The gross refining margins have held steady despite the fall in crude oil prices.

Support Activities: As at 30 June 2015, the support activities portfolio consisted of $3.9 billion (H2 2014: $4.2 billion) in shipping finance (including operating leases) and $3.7 billion (H2 2014: $3.7 billion) related to oilfield equipment manufacturers and other service providers.

The shipping finance portfolio consisted of tankers ($1.2 billion), offshore support vessels ($0.7 billion), rigs and drill ships ($1.2 billion) and floating production storage and offloading ($0.8 billion). The net exposures to these sub-sectors are either to investment grade clients or backed by strong balance sheet or corporate guarantees. The exposures have high levels of collateralisation in the form of new/young vessels. 65 per cent of the exposures to oil field equipment manufacturers and service providers are investment grade.

Corporate Clients with Oil Related Hedges: The Group's counterparty credit risk exposure to corporate clients with oil related hedges has decreased to $1.0 billion (H2 2014: $1.5 billion). All clients have continued to meet their trade settlement and collateral obligations as per the Credit Support Annexe (CSAs) to the International Swaps and Derivatives Association (ISDA).

China

The Group's total net exposure to China is $66 billion (H2 2014: $71 billion), of which $23 billion (H2 2014: $24 billion) is financially booked in China and $43 billion (H2 2014: $47 billion) in other locations. Of the total net exposure of $66 billion, $45 billion is loans and advances to customers and banks. 59 per cent of the total net exposure is attributable to financial institutions and 10 per cent is to the China central government.

China's economic growth continued to slow during the first half of 2015 in response to the structural rebalancing of the economy towards consumption driven growth. The Group's growth in China over the last five years has been focused on financial institutions as a result of the internationalisation of the Renminbi. This has driven the growth in interbank placements and trade exposures (approximately 68 per cent of the China net exposures). The portfolio is short dated with 84 per cent having tenor of less than one year.

98 per cent of the financial institutions exposure is investment grade while 71 per cent is to the top five Chinese banks. The Group has internal caps on its exposure to Chinese banks and keeps the portfolio tenor short dated and highly rated.

The corporate portfolio in China represented 31 per cent of the total net exposure as at 30 June 2015. The Chinese stock market has been volatile over the last few months but the Group has negligible exposure to it (less than 0.5 per cent of the CIC and CC portfolios). There are a small number of exposures with Chinese securities as collateral in the Private Banking Client segment. The LTV ratio for this portfolio is approximately 28 per cent. There have been no instances of failed margin calls or failed trades.

The following section presents details of the China commodity portfolio. The Group has been proactively managing exposures in this portfolio, and has further reduced exposures to clients that are sub investment grade, not global majors or large SOEs.

China commodities credit portfolio

Commodity exposures in China continue to be actively managed in response to the economic slowdown in China and sustained fall in commodity prices. The Group's portfolio management actions are focused on the metals and mining sector where 30 client relationships have been exited and the net exposure reduced by $1.0 billion since the end of 2014 ($1.7 billion in 2014).

China commodities credit portfolio	**30.06.15 $billion**	31.12.14 $billion	30.06.14 $billion	31.12.13 $billion
Commodity Producers	**2.0**	4.1	5.1	4.9
Commodity Traders	**4.2**	5.3	6.6	6.1
Net exposure	**6.2**	9.4	11.7	11.0
tenor <1 year (%)	**92%**	94%	96%	89%

China Commodity Producers credit portfolio: 83 per cent of the net exposure of $2.0 billion was attributable to clients that were either rated investment grade or were global majors or large SOEs. Of the remaining 17 per cent, 88 per cent had a tenor less than one year, with the balance being accounted for by tightly structured secured project and corporate finance exposures.

China commodity producers portfolio	**30.06.15**	31.12.14	30.06.14	31.12.13
Net exposure ($billion)	**2.0**	4.1	5.1	4.9
Investment Grade / Global Majors / Large SOEs (%)	**83%**	79%	70%	66%
Rest of the portfolio with tenor < 1 year (%)	**15%**	20%	28%	28%

China Commodity Traders credit portfolio: 38 per cent of the net exposure of $4.2 billion was to clients that are either investment grade or, global majors or large SOEs. Of the remaining 62 per cent, 99 per cent had a tenor of less than one year. This sub investment portfolio is collateralised with cash of $0.9 billion and third party guarantees of $0.4 billion.

China commodity traders credit portfolio	**30.06.15**	31.12.14	30.06.14	31.12.13
Net exposure ($ billion)	**4.2**	5.3	6.6	6.1
Investment Grade / Global Majors / Large SOEs	**38%**	43%	51%	49%
Rest of the portfolio with tenor < 1 year (%)	**62%**	53%	48%	48%

Europe
The Group has no direct sovereign exposure (as defined by the European Banking Authority (EBA)) to Greece, Ireland, Italy, Portugal or Spain. As at 30 June 2015, the Group's net exposure in these countries was less than $1 billion and was primarily to banks and related to trade finance and financial markets transactions. The total net exposure to Greece was $6 million and the Group continues to monitor and respond to recent developments around the potential Greek exit from the eurozone. Additionally the Group estimates minimal direct impact of the quantitative easing in the eurozone.

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

Retail Clients

The Retail Clients loans and advances portfolio remains well diversified in terms of geography and product with Mortgages accounting for 65 per cent (H2 2014: 64 per cent; H1 2014: 62 per cent) of the Retail Client portfolio. The overall LTV ratio on the Group's mortgage portfolio is 49 per cent (H2 2014: 49 per cent; H1 2014: 50 per cent).

83 per cent (2014: 80 per cent; H1 2014: 79 per cent) of Retail loans are fully secured and 65 per cent of the portfolio has tenor greater than 5 years (H2 2014: 64 per cent; H1 2014: 62 per cent) mainly due to Mortgages.

Retail Clients loan impairment was lower at 75 bps of average loans and advances (H2 2014: 92 bps; H1 2014: 95 bps). This was mainly due to improvement in losses related to the impact of the Personal Debt Rehabilitation Scheme (PDRS) on the Group's unsecured portfolio in Korea, lower losses in the consumer finance business and improvement in other markets, notably in Malaysia, Hong Kong and Taiwan. Portfolio indicators, such as 30 days past due and 90 days past due flow rates, have improved.

Mortgage portfolio and rising interest rates in key markets
The Retail Clients mortgage portfolio is well positioned in case of a fall in house prices or an increase in interest rates. In assessing prospective borrowers' ability to service debts, the Group assumes stress interest rates well above prevailing rates. The average LTV ratio of the mortgage portfolio was less than 49 per cent with only 4 per cent (H2 2014: 5 per cent; H1 2014: 6 per cent) of the portfolio having an LTV greater than 80 per cent. The value of exposures with an LTV greater than 100 per cent is minimal, and relates mainly to old vintages in the UAE. The majority of the residential mortgage portfolio is for owner occupation. The Group has stress tested the portfolio for a drop in property prices ranging from 15 per cent (such as in Korea where prices have come off their peak) to 30 per cent (in Singapore and Hong Kong), and for a significant increase in interest rates in key markets. The portfolio continues to show resilience under these stress scenarios.

Unsecured portfolio
The Group is managing the Retail Clients unsecured portfolio against the backdrop of changes in the regulatory environment in key markets, and in order to manage overall customer indebtedness. Overall portfolio growth slowed in 2015 as a result of de-risking actions taken in many markets including Korea. The portfolio performance indicators are continuously monitored with losses remaining stable.

The unsecured strategy is underpinned by a new decision framework that supports the explicit shaping of the portfolio towards preferred segments such as priority and employee banking, and lower risk customers.

The factors that underpin the Group's confidence about the Retail unsecured portfolio are:

- The credit card and personal loan portfolios are profitable on a standalone basis and are diversified across markets
- The new strategic focus on high value client segments and deepening client relationships
- The implementation of the unsecured risk decision framework which:
    - shapes the business to deliver optimum risk-adjusted returns with a controlled level of volatility
    - enhances the resilience and sustainability of the portfolio in slowdown scenarios
    - leverages bureau data for enhanced credit decisioning and management with 94 per cent bureau coverage across the Group's unsecured markets

Korea Personal Debt Rehabilitation Scheme
Korea has been the biggest source of the Group's elevated Retail Client impairment in the last two years. Although the level of PDRS applications remains high, the actions taken to tighten underwriting standards since the beginning of 2014 have resulted in considerably lower match rates of the portfolio with PDRS filings. During the last six months, after adjusting for seasonally expected reductions, there has been an improvement in the losses relating to impact of the government PDRS on the Group's unsecured portfolio in Korea. The portfolio indicators are improving.

Principal uncertainties

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

The key uncertainties we face in the coming year are set out below. This should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that we may experience, nor is it an assurance that the mitigants described below can be successful in containing all the risks described.

Risk	Description	Mitigants
Deteriorating macroeconomic conditions in footprint countries	Deteriorating macroeconomic conditions can have an impact on our performance via their influence on personal expenditure and consumption patterns; demand for business products and services; the debt service burden of consumers and businesses; the general availability of credit for retail and corporate borrowers; and the availability of capital and liquidity funding for our business	We balance risk and return, taking account of changing conditions through the economic cycle We monitor economic trends in our markets very closely and continuously review the suitability of our risk policies and controls
Regulatory changes	The nature and impact of future changes in economic policies, laws and regulations are not predictable and may run counter to our strategic interests. These changes could also affect the volatility and liquidity of financial markets, and more generally the way we conduct business and manage capital and liquidity	We review key regulatory developments in order to anticipate changes and their potential impact on our performance Both unilaterally and through our participation in industry groups, we respond to consultation papers and discussions initiated by regulators and governments. The focus of these activities is to develop the framework for a stable and sustainable financial sector and global economy
Regulatory compliance	Although we seek to comply with all applicable laws and regulations, we are and may be subject to regulatory reviews and investigations by governmental and regulatory bodies, including in relation to US sanctions compliance and anti-money laundering controls. We cannot currently predict the nature or timing of the outcome of these matters. For sanctions compliance violations, there is a range of potential penalties which could ultimately include substantial monetary penalties, additional compliance and remediation requirements and/or additional business restrictions Regulators and other agencies in certain markets are conducting investigations into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. Further details of material settlements and ongoing investigations are set out in Note 21 on page 106	We have established a Board-level Financial Crime Risk Committee and, since 2013 we have a Financial Crime Risk Mitigation Programme, which is a comprehensive, multi-year programme designed to review and enhance many aspects of our existing approach to money laundering prevention and to combating terrorism finance and the approach to sanctions compliance and the prevention of bribery and corruption We are contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continue to review our practices and processes in the light of the investigations, reviews and industry proposals We are co-operating with all relevant ongoing reviews, requests for information and investigations In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise to mitigate higher risk business activities which could include divesting or closing businesses that exist beyond risk tolerances

Risk	Description	Mitigants
Financial markets dislocation	A sudden financial markets dislocation could affect our performance, directly through its impact on the valuations of assets in our available-for-sale and trading portfolios or the availability of capital or liquidity Financial markets instability also may increase the likelihood of default by our counterparties; and may increase the likelihood of client disputes	We stress test our market risk exposures to highlight the potential impact of extreme market events on those exposures and to confirm that they are within authorised stress loss triggers. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Where necessary, overall reductions in market risk exposure are enforced We carefully assess the performance of all of our counterparties in stress scenarios and adjust our limits accordingly We maintain robust processes to assess the suitability and appropriateness of the products and services we provide to our clients
Geo-political events	We face a risk that geo-political tensions or conflict in our footprint could impact trade flows, our customers' ability to pay and our ability to manage capital across borders	We actively monitor the political situation in all of our principal markets and conduct regular stress tests of the impact of such events on our portfolios, which inform assessments of risk appetite and any need to take mitigating action
Risk of fraud and other criminal acts	The banking industry has long been a target for third parties seeking to defraud, to disrupt legitimate economic activity, or to facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology and the internet. The incidence of cyber crime is rising, becoming more globally co-ordinated, and is a challenge for all organisations	We seek to be vigilant to the risk of internal and external crime in our management of people, processes, systems and in our dealings with customers and other stakeholders We have a broad range of measures in place to monitor and mitigate this risk. Controls are embedded in our policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security We have a broad set of techniques, tools and activities to detect and respond to cyber crime, in its many forms. We actively collaborate with our peers, regulators and other expert bodies as part of our response to this risk
Exchange rate movements	Changes in exchange rates affect the value of our assets and liabilities denominated in foreign currencies, as well as the earnings reported by our non-US dollar denominated branches and subsidiaries Sharp currency movements can also impact trade flows and the wealth of clients, both of which could have an impact on our performance	We actively monitor exchange rate movements and adjust our exposure accordingly Under certain circumstances, we may take the decision to hedge our foreign exchange exposures in order to protect our capital ratios from the effects of changes in exchange rates

Risk Profile

The balance sheet and income statement information presented within the Risk Profile is based on the booking location of the instrument and not the location of its client. Accordingly, where income statement information is presented by geographic region, the accounts will differ to the Financial Review which is based on its client location. The Client segment by geographic region table on page 38 provides a split of loans and advances to customers and banks by booking location.

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

- Loan portfolio overview, which provides analysis of the loan portfolio by client segment, by geographic region, by industry and retail product (pages 38 to 40)
- Credit risk mitigation, which provides analysis of collateral held by the client segment and collateral type, and details of loan to value ratios and other forms of credit risk mitigation (pages 41 to 43)
- Credit quality, which provides an analysis of the loan portfolio by credit grade, non-performing loans, impaired loans, renegotiated and forborne loans (pages 43 to 46)
- Problem credit management and provisioning, which provides analysis of non-performing loans and impaired loans (pages 47 to 51)

Credit portfolio

Credit risk is the potential for loss due to the failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms. Credit exposures arise from both the banking and trading books.

Our Credit portfolio remains well diversified and predominantly short term, with high levels of collateralisation for longer term and non-investment grade loans. We have consistently maintained our focus on chosen clients in our core markets and our disciplined approach to risk management.

Loan portfolio

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

The loan portfolio summarised by segment and by credit quality (neither past due nor impaired; past due; and impaired) on pages 45 to 46. The Group manages its loan portfolio between those assets that are performing in line with their contractual terms (whether original or renegotiated) and those that are non-performing. Corporate and Institutional (CIC) and Commercial Clients (CC) exposures are typically managed on an individual basis and consequently credit grade migration is a key component of credit risk management. In Retail, where loans are typically managed on a portfolio basis, delinquency trends are monitored consistently as part of risk management. In both businesses, credit risk is mitigated to some degree through collateral, further details of which are set out on pages 41 to 42.

This section covers a summary of the Group's loan portfolio broadly analysed by business and geography, credit quality and provisioning of the loan book.

Geographic and Client segmental analysis

Loans and advances to customers (net of individual impairment and portfolio impairment provisions) decreased by $6.3 billion since December 2014. This reduction was primarily within the CC segment ($1.2 billion) and the CIC segment ($3.4 billion) as a result of low demand of credit due to a slow-down in some of our key markets. The growth in this period was largely in financing, insurance and business services. There have been decreases in the Group's exposures to the Energy, Mining and Quarrying and Manufacturing industries as part of the risk mitigating actions mentioned earlier.

The decrease in loans to banks of $4.3 billion since December 2014 is primarily across Europe ($3.7 billion) and Americas ($0.7 billion). This is mostly driven by the liquidity management activity of the Group. Given the nature of the book it is predominantly short term and the maturity profile remains consistent period on period.

For the Private Banking and Retail Client segments, lending is analysed by product.

The Private Banking Client segment decreased by $0.8 billion from December 2014 primarily through its operations in Singapore and Hong Kong.

The reduction in unsecured lending, which includes CCPL, was mainly in the North East Asia and ASEAN regions and this was partly offset by growth in Mortgages, mainly in Hong Kong and Korea although regulatory cooling measures in several markets tempered the related growth opportunities.

Overall the regional split of our loans and advances to customers is very similar to 2014 and the loan portfolio remains well diversified across the Group's footprint countries, with the largest single country representing 22 per cent of loans and advances to customers and banks.

Loan Portfolio continued

Client segment by geographic region

	30.06.15								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Corporate and Institutional	33,429	8,537	8,878	36,007	11,558	5,566	11,035	39,851	154,861
Commercial	4,438	3,128	2,037	2,101	1,057	663	-	50	13,474
Private Banking	3,719	-	212	9,087	260	-	-	3,935	17,213
Retail	42,293	18,569	4,202	25,515	4,911	1,687	-	249	97,426
	83,879	30,234	15,329	72,710	17,786	7,916	11,035	44,085	282,974
Portfolio impairment provision	(93)	(66)	(60)	(164)	(71)	(45)	(12)	(124)	(635)
Total loans and advances to customers[1,2]	83,786	30,168	15,269	72,546	17,715	7,871	11,023	43,961	282,339
Intra-regional balance[3]	2,643	(33)	8,145	1,460	3,943	4,887	1,475	(22,520)	-
Total loans and advances to customers[1,4]	86,429	30,135	23,414	74,006	21,658	12,758	12,498	21,441	282,339
Total loans and advances to banks[1]	29,096	5,585	513	11,982	1,973	1,116	11,995	20,922	83,182

	31.12.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Corporate and Institutional	37,253	7,882	8,093	37,419	12,136	5,894	10,964	38,657	158,298
Commercial	5,395	3,176	2,036	2,234	1,106	669	-	74	14,690
Private Banking	3,494	-	167	9,732	274	-	-	4,391	18,058
Retail	41,408	18,633	4,272	27,220	4,869	1,845	-	2	98,249
	87,550	29,691	14,568	76,605	18,385	8,408	10,964	43,124	289,295
Portfolio impairment provision	(98)	(75)	(56)	(201)	(78)	(47)	(9)	(132)	(696)
Total loans and advances to customers[1,2]	87,452	29,616	14,512	76,404	18,307	8,361	10,955	42,992	288,599
Intra-regional balance[3]	2,194	(34)	8,347	2,137	4,468	4,742	(3)	(21,851)	-
Total loans and advances to customers[1,4]	89,646	29,582	22,859	78,541	22,775	13,103	10,952	21,141	288,599
Total loans and advances to banks[1]	28,758	5,997	488	12,388	1,603	940	12,661	24,665	87,500

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

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

3 The intra-regional balance represents the attribution of lending from the booking location to the location of the clients

4 The balances are based on the location of the customer

Industry and Retail products analysis by geographic region

In our CIC and CC portfolios, Energy industry exposure remains significant at 14 per cent of corporate loans and advances (16 per cent in 2014). The Energy industry exposure is spread across six sub-sectors and over 398 client groups, and 51 per cent mature within one year.

The manufacturing sector makes up 8 per cent of the customer loans and advances (2014: 9 per cent). The Manufacturing industry group is spread across a diverse range of industries, including Automobiles & Components, Capital goods, Pharmaceuticals Biotech & life sciences, Technology hardware & equipments, Chemicals, paper products and packaging. The exposures are spread over 5,050 clients.

The exposures to Financing Banking and Insurance is mostly to investment grade institutions and is part of the liquidity management of the Group.

The Group provide loans to commercial real estate (CRE) counterparties of $15.1 billion (2014: $16.1 billion), which represents less than 6 per cent of total customer loans and advances and less than 3 per cent of assets. The exposure greater than 5 years is less than 10 per cent of the CRE portfolio. Of this exposure, $6.7 billion is to counterparties where the source of repayment is substantially derived from rental or sale of real estate and is secured by real estate collateral. The remaining CRE exposure comprises working capital loans to real estate corporates, exposures with non-property collateral, unsecured exposure and exposure to real estate entities of diversified conglomerates.

The unsecured portion of the Retail products portfolio is down from 19 percent to 16 percent of the Retail products loans and advances and is spread across multiple products in over 30 markets. There has otherwise been no significant change in the shape of our retail products portfolio. Refer to pages 39 to 40 for an analysis of loans to Retail Clients split by product. The decrease in North East Asia and ASEAN exposure was a result of de-risking portfolio management actions.

Industry and Retail products analysis by geographic region

	30.06.15								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Industry:									
Energy	1,081	277	73	6,864	1,096	465	2,821	11,367	24,044
Manufacturing	8,349	2,286	2,550	3,472	1,963	1,033	1,024	3,082	23,759
Financing, insurance and non-banking	6,503	1,092	1,032	4,936	997	519	4,173	8,903	28,155
Transport, telecom and utilities	3,304	2,073	1,576	3,558	1,234	580	639	6,337	19,301
Food and household products	2,201	301	830	5,651	1,721	1,607	1,444	1,122	14,877
Commercial real estate	6,091	2,183	1,525	3,465	1,221	39	-	542	15,066
Mining and Quarrying	2,136	592	666	3,054	534	836	251	3,759	11,828
Consumer durables	4,668	711	1,347	1,035	1,248	340	363	2,525	12,237
Construction	1,035	445	777	1,325	1,313	234	29	796	5,954
Trading Companies & Distributors	959	287	174	977	615	236	19	85	3,352
Government	323	721	7	2,234	140	13	88	284	3,810
Other	1,217	697	358	1,537	533	327	184	1,099	5,952
Retail Products:									
Mortgages	35,515	13,252	2,383	19,941	1,861	359	-	1,386	74,697
CCPL and other unsecured lending	6,221	3,922	998	4,157	2,118	1,265	-	58	18,739
Auto	-	-	39	527	341	6	-	1	914
Secured Wealth Products	3,968	61	36	9,128	93	-	-	1,424	14,710
Other	308	1,334	958	849	758	57	-	1,315	5,579
	83,879	30,234	15,329	72,710	17,786	7,916	11,035	44,085	282,974
Portfolio impairment provision	(93)	(66)	(60)	(164)	(71)	(45)	(12)	(124)	(635)
Total loans and advances to customers[1]	83,786	30,168	15,269	72,546	17,715	7,871	11,023	43,961	282,339
Total loans and advances to banks	29,096	5,585	513	11,982	1,973	1,116	11,995	20,922	83,182

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

Industry and Retail products analysis by geographic region continued

	31.12.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Industry:									
Energy	1,470	310	123	9,006	1,228	533	3,206	11,347	27,223
Manufacturing	9,456	2,419	2,452	4,337	2,239	1,031	1,031	3,838	26,803
Financing, insurance and non-banking	5,856	995	431	5,497	1,136	628	3,507	7,336	25,386
Transport, telecom and utilities	3,715	1,602	922	3,706	1,210	662	612	6,176	18,605
Food and household products	2,589	313	929	5,034	1,381	1,346	1,438	1,302	14,332
Commercial real estate	6,876	2,190	1,503	3,798	1,133	79	-	485	16,064
Mining and Quarrying	3,383	649	922	2,186	512	764	273	4,123	12,812
Consumer durables	5,076	659	1,291	1,170	1,385	439	404	1,752	12,176
Construction	1,169	486	897	1,178	1,352	252	20	1,095	6,449
Trading Companies & Distributors	1,419	400	232	932	719	418	56	114	4,290
Government	536	368	5	1,206	230	19	220	165	2,749
Other	1,103	667	422	1,603	717	392	197	998	6,099
Retail Products:									
Mortgages	34,381	12,918	2,366	20,724	1,853	345	-	1,320	73,907
CCPL and other unsecured lending	6,673	4,407	987	4,850	2,096	1,425	-	51	20,489
Auto	-	-	40	631	339	6	-	-	1,016
Secured Wealth Products	3,466	74	70	9,385	805	-	-	1,455	15,255
Other	382	1,234	976	1,362	50	69	-	1,567	5,640
	87,550	29,691	14,568	76,605	18,385	8,408	10,964	43,124	289,295
Portfolio impairment provision	(98)	(75)	(56)	(201)	(78)	(47)	(9)	(132)	(696)
Total loans and advances to customers[1]	87,452	29,616	14,512	76,404	18,307	8,361	10,955	42,992	288,599
Total loans and advances to banks	28,758	5,997	488	12,388	1,603	940	12,661	24,665	87,500

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

Credit risk mitigation

In all client segments, credit risk is mitigated to some degree through collateral, further details of which are set out in this section.

Collateral

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decision across the Group.

As a result of reinforcing collateralisation requirements, the value of collateral held has increased by 1 per cent since 2014 and by 3 per cent as a percentage of CIC and CC loans and advances over the same period.

The collateral amount in the table below is adjusted where appropriate in accordance with the risk mitigation policy and for the effect of over collateralisation. Exposures for 53 per cent of the clients that have placed collateral with the Bank are over collateralised. The average amount of over collateralisation is 48 per cent.

The unadjusted market value of collateral in respect of CIC and CC, which does not take into consideration over-collateralisation or adjustments, was $213 billion (31 December 2014: $212 billion).

The Group has remained conservative in the way the value of collateral is computed, which is calibrated to a severe downturn and back-tested against our prior experience. At an average across all types of collateral, the value is approximately half of the current market value.

The decrease of commodities from 3 per cent to 2 per cent of collateral balances is a direct result of the overall reduction in commodity-related exposures. The increase of reverse repo and securities collateral from 36 per cent to 39 per cent represents an increase in the deployment of liquidity by ALM to the CIC and CC segments.

The average LTV ratio of the commercial real estate portfolio has remained relatively stable at 38.6 per cent, compared with 39.9 per cent in 2014. The proportion of loans with an LTV greater than 80 per cent has remained below 1 per cent during the same period.

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

The collateral levels for Retail have decreased by $440 million compared to 2014.

For Retail, all secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. 16 per cent of the Group's retail product exposures are unsecured, compared to 19 per cent in 2014.

See details on page 42, which presents a detailed analysis of loans to individuals by product, split between fully secured, partially secured and unsecured.

For Mortgage loans, the value of property held as security significantly exceeds the value of mortgage loans. LTV ratios measure the ratio of the current mortgage outstanding to the current fair value of the properties on which they are secured. The overall LTV ratio on the Group's mortgage portfolio is less than 50 per cent, relatively unchanged since the end of 2014. The Group's major mortgage markets of Hong Kong, Korea and Taiwan have an average LTV of less than 50 per cent. The value of exposures with an LTV greater than 100 per cent is minimal, and relates mainly to old vintages in the UAE. The majority of the residential mortgage portfolio is for owner occupation.

See details on page 43, which presents an analysis of loan to value ratios by geography for the mortgage portfolio.

Collateral

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

	Collateral			Amount Outstanding[1]		
		Of which			Of which	
	Total	Past due but not individually impaired loans	Individually impaired loans	Total	Past due but not individually impaired loans	Individually impaired loans
	$million	$million	$million	$million	$million	$million
As at 30 June 2015						
Corporate and Institutional Clients[2]	**66,428**	**359**	**1,221**	**238,045**	**2,472**	**6,757**
Commercial Clients	**6,379**	**163**	**271**	**13,474**	**321**	**967**
Private Banking Clients	**12,514**	**45**	**181**	**17,213**	**26**	**229**
Retail Clients	**74,554**	**2,132**	**300**	**97,426**	**2,840**	**893**
Total	**159,875**	**2,699**	**1,973**	**366,158**	**5,659**	**8,846**
As at 31 December 2014						
Corporate and Institutional Clients[2]	64,343	228	809[3]	245,800	1,847	6,094
Commercial Clients	6,034	265[3]	253	14,690	454	1,068
Private Banking Clients	12,905	220	40	18,058	140	91
Retail Clients	74,994[3]	2,053	360	98,249	2,928	846
Total	158,276	2,766	1,462	376,797	5,369	8,099

1 Includes loans held at fair value through profit or loss
2 Includes loans and advances to banks
3 2014 figures have been restated

Credit risk mitigation continued

Corporate and Institutional and Commercial Clients

Collateral held against CIC and CC exposures amounted to $73 billion (2014: $70 billion).

Our underwriting standards encourage taking specific charges on assets and we consistently seek high quality, investment grade secured collateral. 44 per cent of collateral held is comprised of physical assets or is property based, with the remainder held largely in cash and investment securities.

Non-tangible collateral – such as guarantees and letters of credit – may also be held against corporate exposures although the financial effect of this type of collateral is less significant in terms of recoveries. However this type of collateral is considered when determining probability of default and other credit related factors.

The proportion of highly rated securities of 28 per cent on collateral increased from 24 per cent compared to December 2014 due to higher levels of reverse repurchase transactions.

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

	30.06.15 $million	31.12.14 $million
Property	**18,093**	16,438
Plant, machinery and other stock	**5,275**	5,498
Cash	**12,055**	12,594
Reverse repo & Securities	**28,536**	25,641
AAA	**107**	4
AA- to AA+	**20,094**	17,188
BBB- to BBB+	**3,566**	3,062
Lower than BBB-	**1,092**	997
Unrated	**3,677**	4,390
Commodities	**1,418**	2,426
Ships and aircraft	**7,430**	7,780
Total value of collateral	**72,807**	70,377

Commercial real estate (CRE)

The Group has lending to CRE counterparties of $15.1 billion (2014: $16.1 billion). Of this exposure, $6.7 billion is to counterparties where the source of repayment is substantially derived from rental or sale of real estate and is secured by real estate collateral. The remaining CRE exposure comprises working capital loans to real estate corporates, exposure with non-property collateral, unsecured exposure and exposure to real estate entities of diversified conglomerates.

Retail and Private Banking Clients loan portfolio

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

	30.06.15				31.12.14			
	Fully secured $million	Partially secured $million	Unsecured $million	Total[1] $million	Fully secured $million	Partially secured $million	Unsecured $million	Total[1] $million
Loans to individuals								
Mortgages	**74,697**	**-**	**-**	**74,697**	73,907	-	-	73,907
CCPL	**3**	**-**	**18,736**	**18,739**	4	-	20,485	20,489
Auto	**914**	**-**	**-**	**914**	1,016	-	-	1,016
Secured wealth products	**14,710**	**-**	**-**	**14,710**	15,255	-	-	15,255
Other	**4,141**	**1,438**	**-**	**5,579**	2,783	1,494	1,363	5,640
	94,465	**1,438**	**18,736**	**114,639**	92,965	1,494	21,848	116,307
Percentage of total loans	**83%**	**1%**	**16%**		80%	1%	19%	

[1] Amounts net of individual impairment provisions

Credit risk mitigation continued

Mortgage loan-to-value ratios by geography

The following table provides an analysis of loan to value (LTV) ratios by geographic region for the Retail and Private Banking Clients mortgages portfolio.

	30.06.15								
	Greater China	**North East Asia**	**South Asia**	**ASEAN**	**MENAP**	**Africa**	**Americas**	**Europe**	**Total**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Average Portfolio loan to value	**42.7**	**50.0**	**38.1**	**56.7**	**63.1**	**58.9**	**-**	**48.9**	**48.6**
Loans to individuals - Mortgages ($million)	**35,515**	**13,252**	**2,383**	**19,941**	**1,861**	**359**	**-**	**1,386**	**74,697**

	31.12.14								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	%	%	%	%	%	%	%	%	%
Average Portfolio loan to value	44.0	50.0	38.7	56.4	61.4	58.2	-	51.5	49.3
Loans to individuals - Mortgages ($million)	34,381	12,918	2,366	20,724	1,853	345	-	1,320	73,907

Credit quality analysis

An overall breakdown of the loan portfolio by client segment is set out on pages 45 to 46 differentiating between the performing and non-performing book.

Within the performing book, there is an analysis:

- Of loans and advances past due but not impaired: a loan is considered past due if payment of principal or interest has not been made on its contractual due date
- Of loans and advances where an impairment provision has been raised– these represent certain forborne accounts which have complied with their revised contractual terms for more than 180 days

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

This is followed by further analysis of impairment charges and provisions (page 50).

Credit grade migration

Performing loans that are neither past due nor impaired constitute 96 per cent of customer loans and this is consistent with past periods (2014: 97 per cent). Overall credit quality has also remained stable, with the average credit grade of the corporate loan portfolio remaining at 8B, unchanged since 2014.

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

Credit grade migration trends have also been stable across most countries, although there has been some deterioration in India, related to the slower economic growth. Retail credit grade 12 balances have declined following continuing de-risking of the portfolio. Excluding this, the credit grade composition across all client segments is consistent with the prior period. In respect of loans to banks, the credit quality composition is also consistent with prior periods.

Loans and advances past due but not impaired are similar to levels at the end of 2014. In the Retail client segment, these primarily relate to loans where there is a temporary timing difference in payments. In the CIC and CC segments, across all past due categories approximately 67 per cent of the amounts past due were regularised by 31 July 2015.

Non-performing loans

Non-performing loans (net of individual impairment provisions) are higher by $338 million. This increase is primarily in the CIC segment and is driven by a small number of large exposures financially booked in Europe and ASEAN. Details and further analysis of gross and net non-performing loans by client segment and by geography are provided on pages 47 to 48.

A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected. These loans may have a provision reflecting the time value of money and if so, are reported as part of forborne loans. Forborne loans included in these amounts are consistent with the level seen as at 31 December 2014.

Loan impairment

Loans are classified as individually impaired where analysis and review indicates that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is significantly overdue. *See further details on pages 49 to 51.*

The Group's loan impairment charge for the six months ended 30 June 2015 was $1,652 million. This represents an increase of $806 million, or 95 per cent, compared to H1 2014 and an increase of $357 million or 28 per cent compared to H2 2014. This represents 114 basis points of total average customer net loans and advances. The increase was driven mainly by CIC.

In CIC, total loan impairment provisions on the balance sheet have increased by $844 million, or 36 per cent, compared to 31 December 2014. The provisions were concentrated from exposures financially booked in Europe and India (South Asia). Loan impairment for CIC represents 130 basis points of average customer net loans and advances. The credit quality of the portfolio remains high in spite of the volatility in commodity prices and currencies.

In Retail Clients, total individual impairment provisions were lower than 2014. Improvement in impairments was driven mainly by improvement PDRS related losses in Korea, disposal of the Group's Consumer Finance business and improvements in other markets mainly in Malaysia, Hong Kong and Taiwan. Portfolio impairment provisions also fell due to a reduction in personal loans exposure. We remain disciplined in our approach to risk management and proactive in our collection efforts to minimise account delinquencies.

Other impairment, excluding goodwill impairment, has decreased by $132 million to $86 million reflecting the 2014 write-down of commodity assets arising from a fraud in Greater China, and certain strategic and associate investments.

Cover ratio

The cover ratio measures the proportion of total impairment provision loans to gross non-performing loans, and is a metric commonly used in considering impairment trends. This metric does not allow for variations in the composition of non-performing loans and should be used in conjunction with other credit risk information provided, including the level of collateral cover.

The cover ratio before collateral for Retail Clients remains stable at 87 per cent (2014: 91 per cent). The cover ratio before collateral for CIC was higher at 52 per cent compared to 2014. The CC segment cover ratio before collateral also increased to 55 per cent. While the Private Banking cover ratio fell to 21 per cent compared to 67 per cent in 2014, the net non-performing loan is 99 per cent covered by collateral.

The balance of non-performing loans not covered by individual impairment provisions represents the adjusted value of collateral held and the Group's estimate of the net outcome of any workout or recovery strategy. The cover ratio after taking into account collateral but excluding portfolio impairment provisions for CIC is 65 per cent (2014: 55 per cent) and for CC is 78 per cent (2014: 71 per cent).

As highlighted on page 41, collateral provides risk mitigation to some degree in all client segments and better supports the credit quality and cover ratio assessments post impairment provisions. Details are provided on page 47.

Portfolio impairment provision

A Portfolio Impairment Provision (PIP) is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. PIP balances have decreased by 9 per cent from 2014. The reduction of $26 million in Retail Clients is mainly due to risk mitigating actions in our unsecured portfolio mainly in Korea, Thailand, Hong Kong and Taiwan and foreign exchange impact. The decrease of $35 million in the CIC and CC segments is driven by the migration of a few large exposures into individually impaired status, thereby shrinking the portfolio size upon which PIP is based.

Credit quality analysis continued

By Client segment

	30.06.15					
		Loans to Customers				
	Loans to banks	Corporate and Institutional	Commercial	Private Banking	Retail Clients	Total
	$million	$million	$million	$million	$million	$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	73,394	64,186	498	2,909	65,501	133,094
- Grades 6-8	8,323	62,161	5,142	13,879	14,542	95,724
- Grades 9-11	1,226	18,456	6,919	210	13,451	39,036
- Grade 12	9	4,240	138	6	617	5,001
	82,952	149,043	12,697	17,004	94,111	272,855
of the above, renegotiated loans	-	*4,508*	*6*	-	*205*	*4,719*
Past due but not impaired						
- Up to 30 days past due	136	1,341	229	25	2,119	3,714
- 31 - 60 days past due	-	450	33	-	349	832
- 61 - 90 days past due	3	542	28	1	157	728
	139	2,333	290	26	2,625	5,274
of the above, renegotiated loans	-	*19*	*5*	-	*29*	*53*
Impaired forborne loans, net of provisions	-	36	-	-	283	319
Total performing loans	83,091	151,412	12,987	17,030	97,019	278,448
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	14	-	149	163
-121 - 150 days past due	-	-	17	-	66	83
	-	-	31	-	215	246
Individually impaired loans, net of provisions	93	3,449	456	183	192	4,280
of the above, forborne loans	-	*1,102*	*53*	-	*139*	*1,294*
Total non-performing loans, net of individual impairment	93	3,449	487	183	407	4,526
Total loans and advances	83,184	154,861	13,474	17,213	97,426	282,974
Portfolio impairment provision	(2)	(299)	(33)	(2)	(301)	(635)
Total net loans and advances	83,182	154,562	13,441	17,211	97,125	282,339

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

Neither past due nor impaired						
- Grades 1-5	2,557	870	-	-	-	870
- Grades 6-8	200	1,549	-	-	-	1,549
- Grades 9-11	-	354	-	-	-	354
- Grade 12	-	123	-	-	-	123
	2,757	2,896	-	-	-	2,896
Past due but not impaired						
- Up to 30 days past due	-	-	-	-	-	-
Individually impaired loans	-	254	-	-	1	255

Credit quality analysis continued
By Client segment

	31.12.14					
		Loans to Customers				
	Loans to banks	Corporate and Institutional	Commercial	Private Banking	Retail Clients	Total
	$million	$million	$million	$million	$million	$million
Performing Loans						
Neither past due nor impaired						
- Grades 1-5	79,001	65,551	775	3,115	65,467	134,908
- Grades 6-8	6,456	61,863	5,413	14,648	14,472	96,396
- Grades 9-11	1,871	20,879	7,377	120	14,050	42,426
- Grade 12	28	4,545	126	3	944	5,618
	87,356	152,838	13,691	17,886	94,933	279,348
of the above, renegotiated loans	-	*4,277*	*17*	-	*262*	*4,556*
Past due but not impaired						
- Up to 30 days past due	40	1,467	344	139	2,187	4,137
- 31 - 60 days past due	-	183	60	1	400	644
- 61 - 90 days past due	3	154	23	-	179	356
	43	1,804	427	140	2,766	5,137
of the above, renegotiated loans	-	*106*	*10*	-	*61*	*177*
Impaired forborne loans, net of provisions	-	479	-	-	153	632
Total performing loans	87,399	155,121	14,118	18,026	97,852	285,117
Non-performing Loans						
Past due but not impaired						
- 91 - 120 days past due	-	-	2	-	96	98
-121 - 150 days past due	-	-	25	-	66	91
	-	-	27	-	162	189
Individually impaired loans, net of provisions	103	3,177	545	32	235	3,989
of the above, forborne loans	-	*1,072*	*48*	-	*225*	*1,345*
Total non-performing loans, net of individual impairment	103	3,177	572	32	397	4,178
Total loans and advances	87,502	158,298	14,690	18,058	98,249	289,295
Portfolio impairment provision	(2)	(328)	(39)	(2)	(327)	(696)
Total net loans and advances	87,500	157,970	14,651	18,056	97,922	288,599

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

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

Problem credit management and provisioning

Non-performing loans by client segment

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

	30.06.15				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross non-performing loans	6,724	998	229	796	8,747
Individual impairment provisions[1]	(3,182)	(511)	(46)	(389)	(4,128)
Net non-performing loans	3,542	487	183	407	4,619
Portfolio impairment provision (PIP)	(301)	(33)	(2)	(301)	(637)
Total	3,241	454	181	106	3,982
Cover ratio	52%	55%	21%	87%	54%
Collateral ($million)	1,221	271	181	300	1,973
Cover ratio (after collateral, excl. PIP)	65%	78%	99%	87%	70%

	31.12.14				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross non-performing loans	5,510	1,095	90	797	7,492
Individual impairment provisions[1]	(2,230)	(523)	(58)	(400)	(3,211)
Net non-performing loans	3,280	572	32	397	4,281
Portfolio impairment provision (PIP)	(330)	(39)	(2)	(327)	(698)
Total	2,950	533	30	70	3,583
Cover ratio	46%	51%	67%	91%	52%
Collateral ($million)	809	253	40	360	1,462
Cover ratio (after collateral, excl. PIP)	55%	71%	nm[2]	95%	62%

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

[2] Not meaningful

Problem credit management and provisioning continued

Non-performing loans by geographic region

Gross non-performing increased by $1,255 million, or 17 per cent since 2014. These increases were primarily driven by a small number of large exposures in Europe and ASEAN. The increase in Europe non-performing loans primarily relates to loans to Indian clients and Commodities related loans booked in the region.

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

	30.06.15								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Loans and advances									
Gross non-performing[1]	681	429	1,340	1,746	1,971	492	60	2,028	8,747
Individual impairment provision[2]	(282)	(293)	(791)	(648)	(1,112)	(163)	(17)	(822)	(4,128)
Non-performing loans net of individual impairment provision	399	136	549	1,098	859	329	43	1,206	4,619
Portfolio impairment provision	(93)	(66)	(60)	(165)	(72)	(45)	(12)	(124)	(637)
Net non-performing loans and advances	306	70	489	933	787	284	31	1,082	3,982
Cover ratio	55%	84%	64%	47%	60%	42%	48%	47%	54%

	31.12.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Loans and advances									
Gross non-performing[1]	668	448	1,159	1,396	1,643	478	37	1,663	7,492
Individual impairment provision[2]	(321)	(288)	(450)	(519)	(936)	(115)	-	(582)	(3,211)
Non-performing loans net of individual impairment provision	347	160	709	877	707	363	37	1,081	4,281
Portfolio impairment provision	(98)	(75)	(56)	(202)	(79)	(47)	(9)	(132)	(698)
Net non-performing loans and advances	249	85	653	675	628	316	28	949	3,583
Cover ratio	63%	81%	44%	52%	62%	34%	24%	43%	52%

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

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

Problem credit management and provisioning continued

Individual and portfolio impairment provisions

The movement in individual impairment provision is discussed below. Portfolio impairment provisions decreased by $61 million, compared to 31 December 2014 largely in relation to provision releases in respect of Corporate and Institutional Clients primarily in ASEAN.

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

	30.06.15			30.06.14		
	Individual impairment provisions	**Portfolio impairment provisions**	**Total**	Individual impairment provisions	Portfolio impairment provisions	Total
	$million	**$million**	**$million**	$million	$million	$million
Provisions held at 1 January	**3,375**	**698**	**4,073**	2,849	698	3,547
Exchange translation differences	**(62)**	**(12)**	**(74)**	33	8	41
Amounts written off	**(913)**	**-**	**(913)**	(574)	-	(574)
Releases of acquisition fair values	**-**	**-**	**-**	(1)	-	(1)
Recoveries of amounts previously written off	**94**	**-**	**94**	105	-	105
Discount unwind	**(48)**	**-**	**(48)**	(52)	-	(52)
Transferred to assets held for sale	**-**	**-**	**-**	(54)	-	(54)
Disposal of business units	**(14)**	**-**	**(14)**	**-**	**-**	**-**
New provisions	**1,857**	**38**	**1,895**	1,014	81	1,095
Recoveries/provisions no longer required	**(170)**	**(87)**	**(257)**	(195)	(53)	(248)
Net impairment charge/(releases) against profit	**1,687**	**(49)**	**1,638**	819	28	847
Other movements[1]	**35**	**-**	**35**	-	-	-
Provisions held at 30 June	**4,154**	**637**	**4,791**	3,125	734	3,859

[1] Provision previously reported under other impairment

	31.12.14		
	Individual impairment provisions	Portfolio impairment provisions	Total
	$million	$million	$million
Provisions held at 1 July	3,125	734	3,859
Exchange translation differences	(94)	(29)	(123)
Amounts written off	(943)	-	(943)
Releases of acquisition fair values	(4)	-	(4)
Recoveries of amounts previously written off	112	-	112
Discount unwind	(48)	-	(48)
Transferred to assets held for sale	(50)	(17)	(67)
New provisions	1,469	121	1,590
Recoveries/provisions no longer required	(192)	(111)	(303)
Net impairment charge against profit	1,277	10	1,287
Provisions held at 31 December	3,375	698	4,073

Problem credit management and provisioning continued

Individually impaired loans by client segment

Corporate and Institutional Clients gross individually impaired loans increased by $663 million, or 11 per cent since 2014 primarily in Europe, Greater China and ASEAN as a result of a small number of Corporate and Institutional Clients exposures. The amounts written off primarily relate to Retail Clients, which generate a higher level of write-offs as unsecured lending balances are written off once they are more than 150 days past due.

The following tables show movement in individually impaired loans and provisions for each client segment:

	30.06.15				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross individually impaired loans at 30 June	6,757	967	229	893	8,846
Provisions held at 1 January	2,335	523	59	458	3,375
Exchange translation differences	18	(67)	(1)	(12)	(62)
Amounts written off	(233)	(96)	(105)	(479)	(913)
Recoveries of amounts previously written off	2	-	-	92	94
Discount unwind	(26)	(9)	-	(13)	(48)
Disposal of business units	-	-	-	(14)	(14)
New provisions	1,071	175	93	518	1,857
Recoveries/provisions no longer required	(23)	(15)	-	(132)	(170)
Net individual impairment charge against profit	1,048	160	93	386	1,687
Other movements[1]	35	-	-	-	35
Individual impairment provisions held at 30 June	3,179	511	46	418	4,154
Net individually impaired loans	3,578	456	183	475	4,692

[1] Provision previously reported under other impairment

	30.06.14				
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total $million
Gross individually impaired loans at 30 June	5,617	1,172	114	1,109	8,012
Provisions held at 1 January	1,927	422	52	448	2,849
Exchange translation differences	60	(32)	-	5	33
Amounts written off	(48)	(24)	-	(502)	(574)
Releases of acquisition fair values	(1)	-	-	-	(1)
Recoveries of amounts previously written off	(2)	1	-	106	105
Discount unwind	(31)	(9)	1	(13)	(52)
Transferred to assets held for sale	-	-	-	(54)	(54)
New provisions	246	114	-	654	1,014
Recoveries/provisions no longer required	(18)	(10)	(1)	(166)	(195)
Net individual impairment charge/(releases) against profit	228	104	(1)	488	819
Individual impairment provisions held at 30 June	2,133	462	52	478	3,125
Net individually impaired loans	3,484	710	62	631	4,887

Problem credit management and provisioning continued

	31.12.14				
	Corporate and Institutional	Commercial	Private Banking	Retail	Total
	$million	$million	$million	$million	$million
Gross individually impaired loans as at 31 December	6,094	1,068	91	846	8,099
Provisions held at 1 July	2,133	462	52	478	3,125
Exchange translation differences	(104)	27	-	(17)	(94)
Amounts written off	(369)	(73)	7	(508)	(943)
Releases of acquisition fair values	(3)	(1)	-	-	(4)
Recoveries of amounts previously written off	2	1	-	109	112
Discount unwind	(27)	(7)	(1)	(13)	(48)
Transferred to assets held for sale	(1)	-	-	(49)	(50)
New provisions	709	137	-	623	1,469
Recoveries/provisions no longer required	(5)	(23)	1	(165)	(192)
Net individual impairment charge against profit	704	114	1	458	1,277
Individual impairment provisions held as at 31 December	2,335	523	59	458	3,375
Net individually impaired loans	3,759	545	32	388	4,724

Country cross-border risk (not reviewed by auditor)

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

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

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

The profile of country cross-border exposures greater than one per cent of total assets as at 30 June 2015 remained consistent with our strategic focus on core franchise countries, and with the scale of the larger markets in which we operate. Changes in the pace of economic activity and the ongoing depression in commodity prices had an impact on the growth of cross-border exposure for certain territories, whilst the exposure in other developed markets was a result of liquidity management activity.

Cross-border exposure to China remains predominantly short term (72 per cent of such exposure had a tenor of less than 12-months), with exposure declining during 2015 in response to actions taken to ensure the most efficient use of the Group's approved risk appetite and the moderation in economic conditions in China. Efforts to diversify the deployment of excess liquidity within the region also contributed to the decrease in short term cross-border exposure to China.

The overall size of cross-border exposure to India reflects the size of our franchise in the country. Medium term (more than 12 months tenor) cross-border exposure to India declined during 2015, reflecting a slowing in the origination of new business due to underlying economic conditions, and a reduction in existing medium term exposures.

Consistent with the reported decrease in total assets, country cross-border risk exposure to Hong Kong, Singapore and South Korea declined during 2015. Factors contributing to the decrease in exposure to these countries included a slowing in trade finance flows across the Group's core markets, the impact of softer commodity prices on both the utilisation of limits and demand for facilities by customers with a dependence on commodities, and declines in exposure related to money market treasury activities.

Cross-border exposure to Indonesia decreased during the first half of 2015, reflecting soft commodity prices and weaker economic growth rates in Indonesia. The country cross-border exposure to Indonesia arising from Permata, a joint venture in which the Group holds 44.56 per cent, is counted at the value of the Group's equity in the joint venture.

The overall exposure to both UAE and Brazil was substantially unchanged during 2015.

The reported decrease in overall cross-border exposure to Nigeria reflects the prolonged weakness in commodity prices and volatility in the Nigerian naira. Exposure arising from short dated commitments declined during 2015, with the depreciation in the naira resulting in customers increasingly replacing facilities denominated in foreign currency with facilities denominated in naira.

Cross-border exposure to developed countries in which we do not have a major presence predominantly relates to short dated money market treasury activities, which can change significantly from period to period. Exposure also represents global corporate business for customers with interests in our footprint. This is a key factor to explaining the significant cross-border exposure to the US and Japan. With short term cross-border exposure to Japan increasing significantly during the first half of 2015 due to treasury activity to deploy surplus liquidity within the region.

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

	30.06.15			31.12.14		
	Less than one year	**More than one year**	**Total**	Less than one year	More than one year	Total
	$million	**$million**	**$million**	$million	$million	$million
China	**35,373**	**13,813**	**49,186**	42,098	14,790	56,888
US	**20,607**	**13,505**	**34,112**	26,406	10,672	37,078
Singapore	**20,174**	**5,129**	**25,303**	21,422	5,930	27,352
Hong Kong	**16,167**	**6,931**	**23,098**	22,104	8,684	30,788
India	**8,348**	**13,975**	**22,323**	8,551	15,015	23,566
Korea	**9,397**	**7,848**	**17,245**	9,581	8,216	17,797
United Arab Emirates	**6,844**	**8,805**	**15,649**	6,955	8,752	15,707
Japan	**3,359**	**4,177**	**7,536**	2,602	3,566	6,168
Indonesia	**3,609**	**4,026**	**7,635**	4,172	4,058	8,230
Brazil	**5,668**	**2,053**	**7,721**	5,297	2,228	7,525
Nigeria	**3,966**	**3,342**	**7,308**	4,543	3,301	7,844

Market risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Group's taking moderate market risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk related activities is broadly stable. Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high quality liquid debt securities and from the translation of non-US dollar denominated assets, liabilities and earnings.

The primary categories of market risk for the Group are:

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

Market risk in 2015

Market risk value at risk (VaR) changes

The average levels of Group VaR in H1 2015 were considerably lower than in H1 2014, at which time VaR still reflected the elevated market volatility of the 'taper tantrums' in mid-2013. H1 2015 average Total VaR was 28 per cent lower than in H1 2014; Non-trading VaR was 25 per cent lower; Trading VaR was 12 per cent lower.

However, by H2 2014 the mid-2013 volatility dropped out of the one year VaR historical observation period and the average levels of Group VaR in H1 2015 were similar to H2 2014. H1 2015 average Total VaR was 1 per cent lower than in H2 2014, Non-trading VaR was 2 per cent higher; Trading VaR was 2 per cent higher.

Actual levels of VaR on 30 June 2015 reflected recent increases in market volatility observed in June 2015. H1 2015 total actual VaR was 37 per cent higher than at 31 December 2014, but 4 per cent lower than 30 June 2014.

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

	30.06.15				30.06.14			
Trading and Non-trading	Average $million	High[4] $million	Low[4] $million	Actual[5] $million	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	**22.8**	**28.3**	**18.9**	**26.2**	28.9	36.8	21.2	26.9
Foreign exchange risk	**4.4**	**6.8**	**2.3**	**4.5**	3.5	5.9	2.2	4.9
Commodity risk	**1.4**	**2.1**	**0.7**	**1.4**	1.6	2.9	1.2	1.3
Equity risk	**15.4**	**16.8**	**13.3**	**15.7**	19.1	20.0	17.8	18.0
Total[3]	**28.7**	**37.7**	**24.4**	**36.4**	39.7	47.4	31.5	37.8

	30.06.15				30.06.14			
Trading[1]	Average $million	High[4] $million	Low[4] $million	Actual[5] $million	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	**7.2**	**8.7**	**5.3**	**7.5**	10.8	21.3	7.0	21.3
Foreign exchange risk	**4.4**	**6.8**	**2.3**	**4.5**	3.5	5.9	2.2	4.9
Commodity risk	**1.4**	**2.1**	**0.7**	**1.4**	1.6	2.9	1.2	1.3
Equity risk	**1.9**	**2.8**	**1.4**	**1.5**	1.6	2.4	1.3	1.4
Total[3]	**10.0**	**13.1**	**6.8**	**10.1**	11.4	20.8	7.9	20.2

	30.06.15				30.06.14			
Non-trading	Average $million	High[4] $million	Low[4] $million	Actual[5] $million	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Interest rate risk[2]	**19.1**	**24.5**	**15.6**	**24.1**	23.8	27.4	18.9	19.0
Equity risk	**14.5**	**16.1**	**13.0**	**15.4**	17.9	19.1	16.4	17.5
Total[3]	**26.0**	**31.2**	**23.2**	**30.9**	34.8	39.0	25.9	26.2

1 Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within iAS39 'Financial Instruments: Recognition and Measurement'

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

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

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

5 Actual one day VaR at period end date

Risks not in VaR

The only material market risk which is not reflected in VaR is the currency risk where the exchange rate is currently pegged or managed. The VaR historical one year observation period therefore does not reflect the future possibility of a change in the currency regime such as sudden repegging. Additional capital is set aside to cover this 'risk not in VaR'.

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

Trading	30.06.15 $million	30.06.14 $million
Interest rate risk	**2.1**	4.3
Foreign exchange risk	**5.7**	5.1
Commodity risk	**1.2**	1.5
Equity risk	**0.7**	0.6
Total	**9.7**	11.5
Non-Trading		
Interest rate risk	**2.6**	3.9
Equity risk	**0.6**	0.3
Total	**3.2**	4.2

[1] Reflects total product income which is the sum of Client Income and Own Account Income. Includes elements of Trading Income, Interest Income and Other Income which are generated from market risk related activities

Backtesting (not reviewed by auditor)

Regulatory backtesting is applied at both Group and Standard Chartered Bank levels. In the six months to 30 June 2015, there were no exceptions. In H2 2014 there were two exceptions (both at Standard Chartered Bank level with one at Group level only). In H1 2014 there was one exception due to exceptional market volatility (at Standard Chartered Bank level only). The 2014 exceptions followed notable central bank action with impact in Group footprint markets. These levels of exceptions due to market events are within the 'green zone' applied internationally to internal models by bank supervisors.

Liquidity risk

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet our obligations as they fall due, or can only access these financial resources at excessive cost.

Liquidity in 2015

Conditions in the bank wholesale debt markets were generally positive in 2015, supported by strong investor demand.

In H1 2015, the Group issued $6.8 billion of term debt securities and Additional Tier 1 (AT1) securities, $4.8 billion of senior debt and $2 billion of AT1 securities (H1 2014:$7.5 billion of which $3.4 billion was senior debt and $4.1 billion was Tier 2 subordinated debt).

Group initiatives to lengthen the tenor of funding coupled with the release of some shorter tenor funding have strengthened the Group's overall liquidity position.

Liquidity metrics

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

Liquid asset ratio

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

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

Illiquid securities are debt securities that cannot be sold or exchanged easily for cash without substantial loss in value.

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

The Group LAR remains strong at 31.4 per cent, broadly in line with the ratio at the end of 2014.

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

	30.06.2015 $ million	31.12.2014 $million
Cash and balances at central banks	**77,274**	97,282
Restricted balances	**(9,711)**	(10,073)
Loans and advances to banks - net of non-performing loans	**83,089**	87,397
Deposits by banks	**(50,574)**	(55,323)
Treasury bills	**29,797**	25,901
Debt securities	**97,218**	95,677
of which :		
Issued by governments	**39,234**	38,035
Issued by banks	**32,236**	33,605
Issued by corporate and other entities	**25,748**	24,037
Illiquid securities and other assets	**(8,759)**	(6,816)
Liquid assets	**218,334**	234,045
Total assets	**694,956**	725,914
Liquid assets to total asset ratio (%)	**31.4%**	32.2%

Advances to deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposits ratio demonstrates that customer accounts exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers. Customer accounts tend to be more stable than wholesale funding and a core portion of these deposits are likely to remain with the bank for the medium term.

The advances to deposits ratio increased slightly in 2015 as the Group actively managed away lower quality liabilities, and continues to reflect the Group's customer deposit funded nature.

	30.06.15 $million	31.12.14 $million
Loans and advances to customers[1]	**282,339**	288,599
Customer accounts	**388,795**	414,189
Advances to deposits ratio	**72.6%**	69.7%

[1]see note 12 to the financial statements

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) (not reviewed by auditor)

The Group monitors the LCR in line with the Capital Requirements Regulation (CRR), the Regulation that implements BCBS238 in Europe. The Group also monitors NSFR in line with BCBS271, pending implementation in Europe. Both the Group LCR and NSFR were above 100 per cent as at the latest calculation date.

Encumbered assets (not reviewed by auditor)

Encumbered assets represent those on balance sheet assets that are pledged or used as collateral in respect of certain Group liabilities. Hong Kong government certificates of indebtedness which secure the equivalent amount of Hong Kong currency notes in circulation, and cash collateral pledged against derivatives are included within other assets. Taken together these encumbered assets represent 3.1 per cent (2014: 2.8 per cent) of total assets, continuing the Group's historical low level of encumbrance.

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

	30.06.15				31.12.14			
	Unencumbered assets				Unencumbered assets			
	Not readily available to secure funding $million	Readily available to secure funding $million	Encumbered assets $million	Total assets $million	Not readily available to secure funding $million	Readily available to secure funding $million	Encumbered assets $million	Total assets $million
Cash and balances at central banks	**9,711**	**67,563**	**-**	**77,274**	10,073	87,209	-	97,282
Derivative financial instruments	**60,858**	**-**	**-**	**60,858**	65,834	-	-	65,834
Loans and advances to banks[1]	**48,133**	**35,049**	**-**	**83,182**	49,389	38,111	-	87,500
Loans and advances to customers[1]	**282,207**	**-**	**132**	**282,339**	288,568	-	31	288,599
Investment securities[1]	**38,435**	**89,035**	**7,662**	**135,132**	41,762	82,120	5,465	129,347
Other assets	**23,760**	**-**	**14,049**	**37,809**	23,640	-	15,049	38,689
Current tax assets	**387**	**-**	**-**	**387**	362	-	-	362
Prepayments and accrued income	**2,563**	**-**	**-**	**2,563**	2,647	-	-	2,647
Interests in associates and joint ventures	**1,991**	**-**	**-**	**1,991**	1,962	-	-	1,962
Goodwill and intangible assets	**5,223**	**-**	**-**	**5,223**	5,190	-	-	5,190
Property, plant and equipment	**7,740**	**-**	**-**	**7,740**	7,984	-	-	7,984
Deferred tax assets	**458**	**-**	**-**	**458**	518	-	-	518
Total	**481,466**	**191,647**	**21,843**	**694,956**	497,929	207,440	20,545	725,914

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

In addition to the above, the Group received $39,093 million (31 December 2014: $27,910 million) as collateral under reverse repurchase agreements that was eligible for repledging. Of this the Group sold or repledged $13,549 million (31 December 2014: $14,840 million) under repurchase agreements.

Readily available to secure funding (not reviewed by auditor)

Readily available to secure funding includes unencumbered assets that can be sold outright or under repo within a few days, in line with regulatory definitions. The Group's readily available assets comprise of cash and balances at central banks, loans and advances to banks and investment securities.

Assets classified as not readily available to secure funding include:

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

Liquidity analysis of the Group's balance sheet

Contractual maturity of assets and liabilities

This table analyses assets and liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date. Contractual maturities do not necessarily reflect actual repayments or cash flow.

Within the tables below cash and balances with central banks, loans and advances to banks, treasury bills and investment securities that are available-for-sale are used by the Group principally for liquidity management purposes.

Contractual maturity

	30.06.15								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	67,563	-	-	-	-	-	-	9,711	77,274
Derivative financial instruments	7,050	7,421	6,311	4,835	3,294	8,227	13,932	9,788	60,858
Loans and advances to banks[1]	35,049	20,471	13,922	4,651	4,916	2,131	1,981	61	83,182
Loans and advances to customers[1]	75,912	25,749	18,413	9,339	10,202	24,959	40,286	77,479	282,339
Investment securities	7,977	14,741	11,697	10,235	9,956	20,455	38,904	21,167	135,132
Other assets	20,288	8,608	2,620	74	303	70	270	23,938	56,171
Total assets	213,839	76,990	52,963	29,134	28,671	55,842	95,373	142,144	694,956
Liabilities									
Deposits by banks[1]	44,129	2,855	1,779	136	138	166	1,030	341	50,574
Customer accounts[1]	283,568	47,751	26,332	11,618	10,868	5,206	1,258	2,194	388,795
Derivative financial instruments	7,011	7,252	5,940	4,345	3,351	7,459	13,951	9,342	58,651
Senior debt	681	90	2,579	54	3,644	3,243	10,400	4,100	24,791
Other debt securities in issue[1]	11,555	13,555	16,719	2,037	2,273	1,013	1,230	7,208	55,590
Other liabilities	17,634	8,501	4,366	529	776	660	1,288	11,260	45,014
Subordinated liabilities and other borrowed funds	5	-	-	-	994	-	5,753	15,445	22,197
Total liabilities	364,583	80,004	57,715	18,719	22,044	17,747	34,910	49,890	645,612
Net liquidity gap	(150,744)	(3,014)	(4,752)	10,415	6,627	38,095	60,463	92,254	49,344

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

Contractual maturity continued

	31.12.14								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	87,209	-	-	-	-	-	-	10,073	97,282
Derivative financial instruments	7,345	8,987	7,753	5,796	4,072	9,549	12,327	10,005	65,834
Loans and advances to banks[1]	38,111	18,421	15,388	6,260	5,663	1,774	1,813	70	87,500
Loans and advances to customers[1]	77,288	26,106	19,147	10,801	11,128	22,701	43,749	77,679	288,599
Investment securities[1]	9,951	13,065	11,245	8,202	8,446	20,881	36,917	20,640	129,347
Other assets	20,163	7,488	3,007	366	456	331	705	24,836	57,352
Total assets	240,067	74,067	56,540	31,425	29,765	55,236	95,511	143,303	725,914
Liabilities									
Deposits by banks[1]	49,903	2,776	784	168	349	118	681	544	55,323
Customer accounts[1]	308,310	49,482	24,117	10,342	10,847	6,194	1,899	2,998	414,189
Derivative financial instruments	7,832	8,844	7,605	5,478	3,737	8,714	12,449	8,654	63,313
Senior debt	215	191	2,607	904	2,663	5,303	8,938	3,323	24,144
Other debt securities in issue[1]	12,078	16,217	14,818	3,767	1,169	695	1,133	6,767	56,644
Other liabilities	16,780	7,692	4,731	808	336	426	915	10,928	42,616
Subordinated liabilities and other borrowed funds	-	-	-	6	-	1,013	5,114	16,814	22,947
Total liabilities	395,118	85,202	54,662	21,473	19,101	22,463	31,129	50,028	679,176
Net liquidity gap	(155,051)	(11,135)	1,878	9,952	10,664	32,773	64,382	93,275	46,738

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

Behavioural maturity of financial assets and liabilities

Contractual maturities do not necessarily reflect the timing of actual repayments or cash flows. In practice, certain assets and liabilities behave differently from their contractual terms, especially for customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand mortgage balances tend to have a shorter repayment period than their contractual maturity date. Such behavioural adjustments are identified and managed in each country through analysis of the historic behaviour of balances. The expected behavioural tenor of the Group's loans and deposits is provided below.

Behavioural maturity

	30.06.15								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Loans and advances to banks[1]	**35,484**	**20,102**	**13,637**	**4,618**	**4,852**	**2,092**	**2,323**	**74**	**83,182**
Loans and advances to customers[1]	**58,012**	**21,499**	**14,293**	**7,600**	**14,503**	**24,716**	**85,325**	**56,391**	**282,339**
Total loans and advances	**93,496**	**41,601**	**27,930**	**12,218**	**19,355**	**26,808**	**87,648**	**56,465**	**365,521**
Liabilities									
Deposits by banks[1]	**32,847**	**2,867**	**1,911**	**200**	**218**	**11,019**	**1,171**	**341**	**50,574**
Customer accounts[1]	**110,209**	**32,919**	**15,868**	**10,998**	**18,962**	**69,669**	**127,427**	**2,743**	**388,795**
Total deposits	**143,056**	**35,786**	**17,779**	**11,198**	**19,180**	**80,688**	**128,598**	**3,084**	**439,369**
Net gap	**(49,560)**	**5,815**	**10,151**	**1,020**	**175**	**(53,880)**	**(40,950)**	**53,381**	**(73,848)**

	31.12.14								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Loans and advances to banks[1]	38,958	17,946	14,935	6,237	5,320	1,734	2,285	85	87,500
Loans and advances to customers[1]	56,456	22,008	14,780	9,023	15,786	22,079	90,032	58,435	288,599
Total loans and advances	95,414	39,954	29,715	15,260	21,106	23,813	92,317	58,520	376,099
Liabilities									
Deposits by banks[1]	37,983	2,854	841	224	421	11,719	737	544	55,323
Customer accounts[1]	144,144	29,151	15,898	11,151	22,720	79,491	107,446	4,188	414,189
Total deposits	182,127	32,005	16,739	11,375	23,141	91,210	108,183	4,732	469,512
Net gap	(86,713)	7,949	12,976	3,885	(2,035)	(67,397)	(15,866)	53,788	(93,413)

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

Operational Risk

Operational losses in half year ended 30 June 2015 comprise a number of unrelated non-systemic events and were not individually significant. The Group remains alert to the increasing threat to the industry from cyber-related attacks. Cyber intelligence threats and issues are being shared through cyber alliances with other banks and law enforcement agencies. The Group also regularly benchmarks against UK Government cyber frameworks and other international cyber security standards to improve its defences.

Capital Review

The Prudential Regulation Authority (PRA) is continuing to implement the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) which together comprise CRD IV. Some areas of CRD IV remain subject to further consultation or await promulgation of the relevant European Banking Authority Technical Standards and final UK implementing rules. Accordingly, the position presented here is based on the Group's current understanding of the rules which may be subject to change.

Capital Summary

Our approach to capital management is focused on maintaining the Group's capital and leverage position in support of our clients, the business strategy and to meet regulatory requirements. The Group balance sheet is strong, highly liquid and with low leverage.

Capital, leverage and RWA	30.06.15	31.12.14
CET1 transitional	**N/A**	10.5%
CET1 end point	**11.5%**	10.7%
Total capital	**18.2%**	16.9%
Leverage	**5.0%**	4.5 %
RWA ($ million)	**326,171**	341,648

On 1 January 2015 the transitional arrangements for excluding AFS gains from regulatory capital ended. Therefore, as at 1 January 2015, the CET1 ratio was 10.7 per cent and the total capital ratio increased from 16.7 to 16.9 per cent.

The Group's CET1 ratio is 11.5 per cent up from 10.7 per cent (on an end point basis) at the end of December 2014. The Group currently meets its CET1 ratio target of 11-12 per cent.

The Group's CET1 position is well ahead of the PRA's current requirement for large UK banks of 7 per cent CET1. The Group will continue to manage its capital position in the context of current and evolving CET1 requirements as they apply to the Group.

In April 2015, the Group issued $2 billion of Additional Tier 1 (AT1) capital which further improved the Group's leverage ratio and total capital position.

The Group continues to manage its balance sheet proactively, with a particular focus on the efficient management of risk weighted assets (RWA).

Capital movements

The main movements in capital between 1 January 2015 and 30 June 2015 were:

- The end point CET1 capital ratio increased by around 80 bps to 11.5 per cent due to an increase in CET1 capital as described below and a decrease in RWA from asset reductions, business disposals and RWA efficiencies
- CET1 capital increased as profits offset an increase in the prudent valuation adjustment, foreign currency translation, cash dividend payments (which benefited from a high scrip dividend take up) and the reduction in the foreseeable dividend deduction
- AT1 capital increased due to the issuance of $2 billion of AT1 securities in April 2015
- Tier 2 capital decreased mainly due to the regulatory amortisation of Tier 2 capital, foreign currency translation and the phasing of the de-recognition of Tier 2 minority interests

Reflecting the above movements, the Group's total capital ratio increased to 18.2 per cent at 30 June from 16.9 per cent at 1 January 2015.

Capital ratios

	30.06.15	31.12.14[1]
CET1 transitional[2]	**N/A**	10.5%
CET1 end point [2]	**11.5%**	10.7%
Total capital	**18.2%**	16.7%

CRD IV Capital base

	30.06.15 $million	31.12.14 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	**5,231**	5,225
Of which: Share premium accounts	**3,958**	3,989
Retained earnings[3]	**29,664**	27,394
Accumulated other comprehensive income (and other reserves)	**9,153**	9,690
Non-controlling interests (amount allowed in consolidated CET1)	**640**	583
Independently reviewed interim and year-end profits[4]	**1,548**	2,640
Foreseeable dividends net of scrip[5]	**(376)**	(1,160)
CET1 capital before regulatory adjustments	**45,860**	44,372
CET1 regulatory adjustments		
Additional value adjustments (prudent valuation adjustments)	**(807)**	(196)
Intangible assets (net of related tax liability)	**(5,455)**	(5,449)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(103)**	(180)
Fair value reserves related to gains or losses on cash flow hedges	**20**	55
Deduction of amounts resulting from the calculation of excess expected loss	**(1,542)**	(1,719)
Gains or losses on liabilities at fair value resulting from changes in own credit risk	**(209)**	(167)
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	**(8)**	(9)
Defined-benefit pension fund assets	**(8)**	(13)
Exposure amounts which could qualify for risk weighting of 1250%	**(181)**	(199)
Of which: securitisation positions	**(170)**	(177)
Of which: free deliveries	**(11)**	(22)
Regulatory adjustments relating to unrealised gains	**-**	(481)
Other	**-**	(1)
Total regulatory adjustments to CET1	**(8,293)**	(8,359)
CET 1 capital	**37,567**	36,013
Additional Tier 1 capital (AT1) instruments	**4,770**	2,786
AT1 regulatory adjustments	**(20)**	-
Tier 1 capital	**42,317**	38,799
Tier 2 capital instruments	**17,206**	18,304
Tier 2 regulatory adjustments	**(30)**	(4)
Tier 2 capital	**17,176**	18,300
Total capital	**59,493**	57,099
Total risk weighted assets[6]	**326,171**	341,648

1 2014 is on a transitional basis unless otherwise stated
2 Regulatory adjustments related to unrealised gains are now fully recognised from 1 January 2015
3 Retained earnings include the effect of regulatory consolidation adjustments
4 Independently reviewed interim and year-end profits for CRD IV are in accordance with the regulatory consolidation
5 Foreseeable dividends include the proposed interim dividend for 2015. The interim dividend is reported net of scrip using a 25 per cent scrip dividend assumption
6 The risk weighted assets are not reviewed by the auditors

Movement in total capital

	6 months ended 30.06.15 $million	6 months ended 31.12.14 $million
CET1 at 1 January / 1 July	**36,013**	37,013
Ordinary shares issued in the year and share premium	**6**	-
Profit for the period	**1,548**	239
Foreseeable dividends net of scrip deducted from CET1	**(376)**	(1,160)
Dividend net of scrip[1]	**692**	(135)
Goodwill and other intangible assets	**(6)**	965
Foreign currency translation	**(557)**	(1,357)
Unrealised gains on available for sale assets	**481**	(20)
Eligible other comprehensive income	**148**	121
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**77**	96
Excess expected loss	**177**	200
Additional value adjustments (Prudent Valuation Adjustment)	**(611)**	20
Other	**(25)**	31
CET1 at 30 June / 31 December	**37,567**	36,013
AT1 at 1 January /1 July	**2,786**	4,378
Issuances/redemptions	**2,000**	(1,480)
Other	**(36)**	(112)
AT1 at 30 June / 31 December	**4,750**	2,786
Tier 2 capital at 1 January / 1 July	**18,300**	19,300
Regulatory amortisation	**(315)**	(271)
Issuances net of redemptions	**-**	287
Foreign currency translation	**(353)**	(961)
Tier 2 ineligible minority interest	**(430)**	136
Other	**(26)**	(191)
Tier 2 capital at 30 June / 31 December	**17,176**	18,300
Total capital at 30 June / 31 December	**59,493**	57,099

1 Due to high scrip take-up, actual dividend paid of $468 million was less than the 2014 foreseeable dividend deduction of $1,160 million, resulting in a net positive movement of $692 million

Movements in risk weighted assets

RWA decreased by $15.5 billion, or 4.5 per cent, from 31 December 2014. This was mainly due to a $17.7 billion decrease in credit risk RWA, which was partially offset by an increase in market risk RWA of $1.7 billion and operational risk RWA of $0.5 billion.

Corporate and Institutional and Commercial Clients

Credit risk decreased by $14.6 billion as a result of the following:

- $5.5 billion lower volumes in Transaction Banking, Lending and ALM assets
- $4.1 billion reduction due to additional provisions and fair value adjustments for GSAM clients primarily in the Europe and South Asia regions
- $3.9 billion of RWA efficiencies mainly due to $1.9 billion of Financial Market RWA saves achieved through trade compression actions and increased Credit Support Annex (CSA) coverage and $1.8 billion reduction due to loan sales and exiting of low return relationships
- $1.1 billion reduction as a result of Principal Finance disposals
- $2.8 billion reduction from foreign currency translation due to depreciation of currencies in Europe, Indonesia, Malaysia and India

This was partly offset by an increase of $2.9 billion from model, methodology and policy changes mainly driven by the inclusion of non-EU institutions in the calculation of risk weighted assets arising from Asset Value Correlation.

Retail Clients

Credit RWA decreased by $4.1 billion mainly as a result of the following:

- $1.6 billion reduction from the sale of the Consumer Finance business in Korea, Hong Kong, and China
- $1 billion decrease in credit risk weighted assets as a result of de-risking and reshaping the portfolio with a reduction in unsecured lending, offset by an increase in secured lending
- $0.9 billion reduction from foreign currency translation due to depreciation of currencies in key markets including Malaysia, Korea, Singapore and Indonesia

Private Banking Clients

Private Banking RWA increased by $1 billion, primarily due to the impact of collateral eligibility policy changes, methodology and portfolio composition.

Market risk

Market risk RWA increased by $1.7 billion, or 8.4 per cent, to $22 billion from 31 December 2014, due mainly to a change in the treatment of Standard Chartered (China) Limited, where market risk capital requirements are now calculated on a standalone basis adding $1.3 billion to Group RWA. The remaining $0.4 billion increase was due to an increase in positions capitalised under standard rules.

Operational risk

RWA increased by $0.5 billion to $35.6 billion, (due to the change in income over a rolling three year time horizon with 2014 income replacing 2011). The $1 billion decrease in commercial clients and corresponding increase in retail clients since December 2014 is due to a rebasing of the analysis of income across the segments.

Risk weighted assets by business

	30.06.15			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total Risk $million
Corporate and Institutional Clients	**190,723**	**22,586**	**22,006**	**235,315**
Commercial Clients	**18,561**	**1,759**	**-**	**20,320**
Private Banking Clients	**7,493**	**1,015**	**-**	**8,508**
Retail Clients	**51,778**	**10,250**	**-**	**62,028**
Total risk weighted assets	**268,555**	**35,610**	**22,006**	**326,171**

	31.12.14			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total Risk $million
Corporate and Institutional Clients	201,978	22,322	20,295	244,595
Commercial Clients	21,874	2,778	-	24,652
Private Banking Clients	6,507	902	-	7,409
Retail Clients	55,887	9,105	-	64,992
Total risk weighted assets	286,246	35,107	20,295	341,648

Risk weighted assets by geographic region

	30.06.15 $million	31.12.14 $million
Greater China	63,350	66,585
North East Asia	21,672	23,990
South Asia	25,788	26,522
ASEAN	77,099	82,603
MENAP	28,842	29,775
Africa	18,851	20,289
Americas	13,675	13,692
Europe	87,062	89,592
	336,339	353,048
Netting balances[1]	(10,168)	(11,400)
Total risk weighted assets	326,171	341,648

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

Movement in risk weighted assets

	Credit risk							
	Corporate and Institutional Clients $million	Commercial Clients $million	Private Banking Clients $million	Retail Clients $million	Total $million	Operational risk $million	Market risk $million	Total risk $million
At 1 January 2014	193,968	22,162	4,829	60,297	281,256	33,289	16,751	331,296
Assets growth/(decline)	3,677	(1,001)	212	55	2,943	-	-	2,943
Credit migration	6,159	576	56	(473)	6,318	-	-	6,318
Risk weighted assets efficiencies	(7,893)	(257)	(107)	(573)	(8,830)	-	-	(8,830)
Model, methodology and policy changes	11,745	370	1,112	(283)	12,944	-	(1,223)	11,721
Acquisitions and disposals	-	-	-	-	-	-	-	-
Foreign currency translation differences	620	192	28	834	1,674	-	-	1,674
Non credit risk movements	-	-	-	-	-	1,818	4,645	6,463
At 30 June 2014	208,276	22,042	6,130	59,857	296,305	35,107	20,173	351,585
Assets (decline)/growth	(1,063)	405	167	(984)	(1,475)	-	-	(1,475)
Credit migration	621	915	(81)	(1,373)	82	-	-	82
Risk weighted assets efficiencies	(2,500)	(1,399)	586	(23)	(3,336)	-	-	(3,336)
Model, methodology and policy changes	829	493	(156)	785	1,951	-	-	1,951
Acquisitions and disposals	-	-	-	331	331	-	-	331
Foreign currency translation differences	(4,185)	(582)	(139)	(2,706)	(7,612)	-	-	(7,612)
Non credit risk movements	-	-	-	-	-	-	122	122
At December 2014	**201,978**	**21,874**	**6,507**	**55,887**	**286,246**	**35,107**	**20,295**	**341,648**
Assets (decline)/growth	**(3,245)**	**(2,234)**	**636**	**(989)**	**(5,832)**	**-**	**-**	**(5,832)**
Credit migration	**(3,575)**	**(509)**	**-**	**(133)**	**(4,217)**	**-**	**-**	**(4,217)**
Risk weighted assets efficiencies	**(3,943)**	**-**	**222**	**-**	**(3,721)**	**-**	**-**	**(3,721)**
Model, methodology and policy changes	**3,003**	**(142)**	**173**	**(486)**	**2,548**	**-**	**1,300**	**3,848**
Acquisitions and disposals	**(1,108)**	**-**	**-**	**(1,615)**	**(2,723)**	**-**	**-**	**(2,723)**
Foreign currency translation differences	**(2,387)**	**(428)**	**(45)**	**(886)**	**(3,746)**	**-**	**-**	**(3,746)**
Non credit risk movements	**-**	**-**	**-**	**-**	**-**	**503**	**411**	**914**
At 30 June 2015	**190,723**	**18,561**	**7,493**	**51,778**	**268,555**	**35,610**	**22,006**	**326,171**

Advanced Internal Ratings Based (IRB) models

Since 1 January 2008, the Group has been using the IRB approach for the calculation of credit risk capital requirements with the approval of our relevant regulators. For a market risk internal model approach (IMA), where IMA permission has been granted by our relevant regulators, we use VaR for the calculation of our market risk capital requirements. Where our market risk exposures are not included in a regulatory IMA permission we apply the standardised approach as specified by the relevant regulator. We apply the standardised approach for determining the capital requirements for operational risk.

The PRA have proposed changes to the treatment of certain exposures where the country-specific default experience is not deemed sufficient for modelling purposes, including the application of various loss given default (LGD) floors based on the Foundation IRB (FIRB) approach. Such changes are likely to result in an increase in the RWA for these exposures, with the ultimate impact dependent on PRA approval of the revisions to the relevant models.

In December 2014, the Basel Committee on Banking Supervision (BCBS) released two consultative documents (CD306 and CD307) on: (i) the design of a capital floor framework based on standardised approaches for credit, market and operational risk; (ii) revisions to the standardised approach for credit risk.

The proposed capital floor framework will be based on the finalised versions of the standardised approaches, and would replace the existing transitional capital floor based on the Basel I framework. The calibration of the floor is outside the scope of the consultation, and will be consulted on alongside the BCBS's work on finalising the revised standardised approaches to credit risk, market risk and operational risk. Such changes could result in an increase in the RWA calculated by such models, but the eventual impact will depend on the final outcome of the consultation process. The Group has responded to the consultations. The BCBS intends to publish the final standards, including their calibration and implementation arrangements, at the end of 2015. The extent to which the EU and/or the PRA will adopt the BCBS proposals is unknown.

The BCBS consultation on changes to the operational risk regime under BCBS 291 concluded in January 2015. The Group currently follows the standardised approach for operational risk. The Group's current expectation is that the changes to the operational risk regime will be implemented in 2016 and would lead to an increase in operational risk RWA across the industry.

Leverage ratio

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

Final adjustments to the definition and calibration of the leverage ratio in the EU will be made during the first half of 2017, with a view to migrating the leverage ratio to a binding Pillar 1 requirement by 1 January 2018. In November 2014, the FPC recommended that HM Treasury exercise its statutory power to enable the Financial Policy Committee (FPC) to direct the PRA to set leverage ratio requirements and buffers for PRA-regulated banks, building societies and investment firms.

Based on the FPC's proposals, the Group's future minimum leverage ratio requirement will be 3.35 per cent, which comprises (i) the minimum 3 per cent and (ii) a 0.35 per cent G-SII leverage buffer (calculated as 35 per cent of the Group's 1 per cent risk weighted G-SII buffer). The FPC also propose an additional countercyclical leverage requirement of 0.35 per cent of any institution specific countercyclical capital buffer requirement.

On 1 July 2015, the FPC directed the PRA to implement a UK leverage ratio framework. On 10 July 2015, the PRA released a consultation on how it intends to achieve this. The consultation closes on 12 October 2015 and the PRA is expected to publish a policy statement, finalised rules and supervisory statements by the end of 2015. The leverage ratio framework will come into effect from 1 January 2016

The presentation below uses the end point CRR definition of Tier 1 for the numerator and the CRR definition of leverage exposure adopted by a European Union delegated act in October 2014. This is on the same basis as presented at December 2014.

The Group's current leverage ratio of 5.0 per cent is above the current PRA minimum requirement and the FPC's proposed requirement. The increase in the leverage ratio since 31 December 2014 of around 50 bps is mainly due to the increase in CET1 and the issuance of $2 billion of AT1 in April 2015 which is included in Tier 1 capital.

Leverage ratio

	30.06.15 $million	31.12.14 $million
Tier 1 capital (transitional position)	**42,317**	38,799
Additional Tier 1 capital subject to phase out	**(2,783)**	(2,786)
Regulatory adjustments relating to unrealised gains	**-**	481
Tier 1 capital (end point)	**39,534**	36,494
Derivative financial instruments	**60,858**	65,834
Derivative cash collateral	**9,264**	10,311
Securities financing transactions (SFTs)	**34,244**	29,856
Loans and advances and other assets	**590,590**	619,913
Total on balance sheet assets	**694,956**	725,914
Regulatory consolidation adjustments	**13,919**	15,008
Derivatives adjustments		
Derivatives netting	**(37,181)**	(43,735)
Adjustments to cash collateral	**(16,820)**	(17,316)
Net written credit protection	**8,233**	7,885
Potential future exposure on derivatives	**56,079**	46,254
Total derivatives adjustments	**10,311**	(6,912)
Counterparty risk leverage exposure measure for SFTs	**13,037**	9,963
Regulatory deductions and other adjustments	**(8,076)**	(7,701)
Off-balance sheet items	**65,189**	67,042
Total leverage exposure (end point)	**789,336**	803,314
Leverage ratio (end point)	**5.0%**	4.5%

CET1 Requirements

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

- A minimum CET1 requirement of 4.5 per cent by 1 January 2015
- A capital conservation buffer of 2.5 per cent by 1 January 2019
- A G-SII buffer of 1 per cent by 1 January 2019
- A Pillar 2A CET1 addition of around 0.65 per cent (subject to ongoing PRA review)

To the extent a countercyclical capital buffer is applied to the Group, it would increase the Group's minimum CET1 requirement. Given the Group's diverse footprint, its future countercyclical capital buffer requirement is expected to be determined from applying various country specific countercyclical buffer rates to the Group's qualifying credit exposures in the relevant country (based on the jurisdiction of the obligor) on a weighted average basis.

The Hong Kong Monetary Authority (HKMA) announced an intention to set a countercyclical capital buffer of 2.5 per cent in Hong Kong to be phased in from 2016 to 2019. In the UK, the FPC has maintained a countercyclical rate of 0 per cent for UK exposures. The FPC noted that the PRA would reciprocate the HKMA's countercyclical buffer rate of 0.625 per cent on Hong Kong exposures from January 2016.

The Group would also expect to continue to operate with a prudent management buffer above the minimum capital requirement. The UK authorities have yet to finalise the rules relating to systemic risk buffers, the PRA Buffer assessment and additional sectoral capital requirements.

Pillar 2

In addition to Pillar 1 capital requirements, the Group, like other UK banks, is subject to additional requirements set by the PRA.

Pillar 2A addresses risks not addressed adequately by Pillar 1 capital requirements. These risks include (but are not limited to): pension obligation risk, interest rate risk in the non-trading book, credit concentration risk and operational risk. From 1 January 2015 the Group must hold at least 56 per cent of its Pillar 2A buffer in CET1 and at least 75 per cent in Tier 1.

Pillar 2B currently comprises the capital planning buffer (CPB) which ensures the Group remains well capitalised during periods of stress. From 1 January 2016, the CPB transitions to a PRA Buffer, the amount of which will be based mainly on the results of the Bank of England's (BoE) annual stress testing of the UK banking system. This would be in addition to existing CRD IV buffer requirements to the extent that the PRA does not consider they adequately address the Group's risk profile.

The PRA consulted and issued a policy statement during 2015 on the transition to a new Pillar 2 framework, which includes the revised PRA Buffer approach. The Group's current Pillar 2A guidance is around 115 bps of RWA, of which at least around 65 bps must be held in CET1. The Group's Pillar 2A guidance is expected to vary over time.

Global Systemically Important Institutions (G-SII)

The Group has been designated a G-SII by the Financial Stability Board (FSB) since November 2012. The Group has been categorised with a 1 per cent G-SII CET1 requirement which will be phased in over the period from 1 January 2016 to 1 January 2019. The Group's latest G-SII disclosure 'Standard Chartered's G-SII indicators' can be found at www.sc.com/en/news-and-media/news/global/31-07-2014-gsib-indicators.html

Loss Absorbing Capacity

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

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

Based on its current understanding of the TLAC proposals, the Group estimates that, as at 30 June 2015, it has TLAC of around 24 per cent of RWA and around 10 per cent of leverage exposure. The Group's TLAC estimate includes:

- Total regulatory capital
- Senior liabilities issued by Standard Chartered PLC with at least one year remaining to maturity
- That part of subordinated debt (issued by Standard Chartered PLC or Standard Chartered Bank) with at least one year remaining to maturity which is outside the scope of regulatory capital recognition due to: (i) amortisation over the last five years of the relevant instrument's duration or (ii) other regulatory de-recognition

A minimum requirement for own funds and eligible liabilities (MREL) must also be applied to the Group under the EU Bank Recovery and Resolution Directive. The final draft EBA technical standards on MREL were published on 3 July 2015. A consultation on the UK's implementation of TLAC and MREL is expected to occur in the second half of 2015.

Bank of England Stress Tests

In 2015 the PRA is conducting its second year of stress testing the UK banking system. The focus of the 2015 BoE stress tests are external risks to the UK and accordingly, the stress parameters are more focused on emerging markets than the UK based variant applied in 2014. Consequently, the stress parameters including: GDP levels, asset price and currency movements applicable to some of the Group's markets such as China and Korea are more severe than in the 2014 stress test. The BoE are expected to release the results of the 2015 stress tests on or around 1 December 2015. In future, the Group expects that the results of the BoE stress tests will be one of the inputs used by the PRA to inform the setting of the Group's PRA Buffer.

Condensed consolidated interim income statement

For the six months ended 30 June 2015

	Notes	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Interest income		**7,687**	8,603	8,381
Interest expense		**(2,695)**	(2,999)	(2,982)
Net interest income		**4,992**	5,604	5,399
Fees and commission income		**2,213**	2,284	2,367
Fees and commission expense		**(255)**	(223)	(249)
Net trading income	3	**969**	954	942
Other operating income	4	**850**	635	621
Non-interest income		**3,777**	3,650	3,681
Operating income		**8,769**	9,254	9,080
Staff costs	5	**(3,320)**	(3,454)	(3,334)
Premises costs	5	**(402)**	(441)	(469)
General administrative expenses	5	**(985)**	(875)	(1,833)
Depreciation and amortisation	6	**(335)**	(313)	(326)
Operating expenses		**(5,042)**	(5,083)	(5,962)
Operating profit before impairment losses and taxation		**3,727**	4,171	3,118
Impairment losses on loans and advances and other credit risk provisions	7	**(1,652)**	(846)	(1,295)
Other impairment				
Goodwill	8	**-**	-	(758)
Other	8	**(86)**	(185)	(218)
Profit from associates and joint ventures		**109**	113	135
Profit before taxation		**2,098**	3,253	982
Taxation	9	**(567)**	(849)	(681)
Profit for the period		**1,531**	2,404	301
Profit attributable to:				
Non-controlling interests		**19**	44	48
Parent company shareholders		**1,512**	2,360	253
Profit for the period		**1,531**	2,404	301
		cents	cents	cents
Earnings per share:				
Basic earnings per ordinary share	11	**58.6**	94.6	8.2
Diluted earnings per ordinary share	11	**58.3**	94.0	8.1
Dividends per ordinary share:				
Interim dividend declared	10	**14.4**		
Interim dividend paid	10		28.8	
Final dividend paid	10			57.2
		$million	$million	$million
Total dividend:				
Total interim dividend payable[1]		**366**		
Total interim dividend (paid 20 October 2014)			710	
Total final dividend (paid 14 May 2015)				1,412

[1] Dividend declared/payable represents the interim dividend as declared by the Board of Directors on 5 August 2015 and is expected to be paid on 19 October 2015. This dividend does not represent a liability to the Group at 30 June 2015 and is a non-adjusting event as defined by IAS 10 *Events after the reporting period*

Standard Chartered PLC

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2015

	Notes	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Profit for the period		**1,531**	2,404	301
Other comprehensive income:				
Items that will not be reclassified to Income statement:				
Actuarial gains/(losses) on retirement benefit obligations	18	**15**	(70)	9
Items that may be reclassified subsequently to Income statement:				
Exchange differences on translation of foreign operations:				
Net (losses)/gains taken to equity		**(604)**	358	(1,448)
Net gains/(losses) on net investment hedges		**20**	(58)	78
Share of other comprehensive income from associates and joint ventures		**(1)**	6	11
Available-for-sale investments:				
Net valuation gains taken to equity		**140**	278	201
Reclassified to income statement		**(158)**	(249)	(174)
Cash flow hedges:				
Net gains/(losses) taken to equity		**8**	67	(183)
Reclassified to income statement		**44**	3	10
Taxation relating to components of other comprehensive income		**(22)**	(30)	8
Other comprehensive income for the period, net of taxation		**(558)**	305	(1,488)
Total comprehensive income for the period		**973**	2,709	(1,187)
Total comprehensive income attributable to:				
Non-controlling interests		**(11)**	29	34
Parent company shareholders		**984**	2,680	(1,221)
		973	2,709	(1,187)

Standard Chartered PLC

Condensed consolidated interim balance sheet

As at 30 June 2015

	Notes	30.06.15 $million	31.12.14 $million
Assets			
Cash and balances at central banks	12	**77,274**	97,282
Financial assets held at fair value through profit or loss	12	**29,809**	32,623
Derivative financial instruments	12, 13	**60,858**	65,834
Loans and advances to banks	12	**80,425**	83,890
Loans and advances to customers	12	**279,188**	284,695
Investment securities	12	**111,231**	104,238
Other assets	12, 14	**37,809**	38,689
Current tax assets		**387**	362
Prepayments and accrued income		**2,563**	2,647
Interests in associates and joint ventures		**1,991**	1,962
Goodwill and intangible assets	15	**5,223**	5,190
Property, plant and equipment		**7,740**	7,984
Deferred tax assets		**458**	518
Total assets		**694,956**	725,914
Liabilities			
Deposits by banks	12	**49,707**	54,391
Customer accounts	12	**377,479**	405,353
Financial liabilities held at fair value through profit or loss	12	**25,328**	22,390
Derivative financial instruments	12, 13	**58,651**	63,313
Debt securities in issue	12	**71,165**	71,951
Other liabilities	12, 16	**34,313**	31,274
Current tax liabilities		**781**	891
Accruals and deferred income		**5,206**	5,915
Subordinated liabilities and other borrowed funds	12, 17	**22,197**	22,947
Deferred tax liabilities		**273**	246
Provisions for liabilities and charges		**103**	92
Retirement benefit obligations	18	**409**	413
Total liabilities		**645,612**	679,176
Equity			
Share capital	19	**1,273**	1,236
Share premium		**5,450**	5,482
Other reserves		**9,153**	9,690
Retained earnings		**31,204**	30,024
Total parent company shareholders' equity		**47,080**	46,432
Other equity instruments	19	**1,987**	-
Total equity excluding non-controlling interests		**49,067**	46,432
Non-controlling interests		**277**	306
Total equity		**49,344**	46,738
Total equity and liabilities		**694,956**	725,914

Standard Chartered PLC

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2015

	Share capital and share premium account $million	Other equity instruments $million	Capital and capital redemption reserve[1] $million	Merger reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Non-controlling interests $million	Total $million
At 1 January 2014	6,707	-	18	12,421	446	15	(2,106)	28,745	46,246	595	46,841
Profit for the period	-	-	-	-	-	-	-	2,360	2,360	44	2,404
Other comprehensive income	-	-	-	-	(5)	59	323	(57)[2]	320	(15)	305
Distributions	-	-	-	-	-	-	-	-	-	(47)	(47)
Shares issued, net of expenses	9	-	-	-	-	-	-	-	9	-	9
Net own shares adjustment	-	-	-	-	-	-	-	(89)	(89)	-	(89)
Share option expense, net of taxation	-	-	-	-	-	-	-	135	135	-	135
Dividends, net of scrip	-	-	-	-	-	-	-	(718)	(718)	-	(718)
Other increases/ (decreases)[3]	-	-	-	-	-	-	-	14	14	(292)	(278)
At 30 June 2014	6,716	-	18	12,421	441	74	(1,783)	30,390	48,277	285	48,562
Profit for the period	-	-	-	-	-	-	-	253	253	48	301
Other comprehensive income	-	-	-	-	15	(131)	(1,365)	7[2]	(1,474)	(14)	(1,488)
Distributions	-	-	-	-	-	-	-	-	-	(13)	(13)
Shares issued, net of expenses	2	-	-	-	-	-	-	-	2	-	2
Net own shares adjustment	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Share option expense, net of taxation	-	-	-	-	-	-	-	111	111	-	111
Dividends, net of scrip	-	-	-	-	-	-	-	(733)	(733)	-	(733)
At 31 December 2014	**6,718**	**-**	**18**	**12,421**	**456**	**(57)**	**(3,148)**	**30,024**	**46,432**	**306**	**46,738**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,512**	**1,512**	**19**	**1,531**
Other comprehensive income	**-**	**-**	**-**	**-**	**(13)**	**31**	**(555)**	**9[2]**	**(528)**	**(30)**	**(558)**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17)**	**(17)**
Shares issued, net of expenses	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**5**
Other equity instruments issued, net of expenses	**-**	**1,987**	**-**	**-**	**-**	**-**	**-**	**-**	**1,987**	**-**	**1,987**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(30)**	**(30)**	**-**	**(30)**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**157**	**157**	**-**	**157**
Dividends, net of scrip	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(468)**	**(468)**	**-**	**(468)**
Other decrease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
At 30 June 2015	**6,723**	**1,987**	**18**	**12,421**	**443**	**(26)**	**(3,703)**	**31,204**	**49,067**	**277**	**49,344**

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

2 Comprises actuarial gains, net of taxation and non-controlling interests of $9 million (30 June 2014:loss of $57 million and 31 December 2014: gain of $10 million)

3 Relates mainly to redemption of $300 million 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited

Standard Chartered PLC

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2015

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Cash flows from operating activities			
Profit before taxation	**2,098**	3,253	982
Adjustments for non-cash items included within income statement	**2,116**	1,540	2,930
Change in operating assets	**9,221**	(1,024)	(12,633)
Change in operating liabilities	**(31,375)**	7,835	51,486
Contributions to defined benefit schemes	**(31)**	(25)	(73)
UK and overseas taxes paid	**(623)**	(832)	(876)
Net cash (used in)/from operating activities	**(18,594)**	10,747	41,816
Cash flows from investing activities			
Purchase of property, plant and equipment	**(51)**	(74)	(115)
Disposal of property, plant and equipment	**58**	21	46
Investment in associates and joint ventures	**-**	-	(64)
Disposal of subsidiaries	**665**	-	-
Purchase of investment securities	**(119,785)**	(93,521)	(102,533)
Disposal and maturity of investment securities	**111,719**	96,450	95,605
Dividends received from associates and joint ventures	**11**	11	2
Net cash (used in)/from investing activities	**(7,383)**	2,887	(7,059)
Cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	**5**	9	2
Issue of Additional Tier 1 capital, net of expenses	**1,987**	-	-
Purchase of own shares	**(39)**	(105)	(5)
Exercise of share options through ESOP	**9**	16	1
Interest paid on subordinated liabilities	**(581)**	(530)	(560)
Gross proceeds from issue of subordinated liabilities	**-**	4,056	628
Repayment of subordinated liabilities	**-**	(285)	(1,829)
Repayment to non-controlling interests	**-**	(300)	-
Interest paid on senior debts	**(265)**	(408)	(332)
Gross proceeds from issue of senior debts	**4,842**	3,394	3,185
Repayment of senior debts	**(3,114)**	(4,255)	(2,153)
Dividends paid to non-controlling interests and preference shareholders, net of scrip	**(67)**	(97)	(64)
Dividends paid to ordinary shareholders, net of scrip	**(418)**	(668)	(682)
Net cash from/(used in) financing activities	**2,359**	827	(1,809)
Net (decrease)/increase in cash and cash equivalents	**(23,618)**	14,461	32,948
Cash and cash equivalents at beginning of the period	**129,870**	84,156	98,841
Effect of exchange rate movements on cash and cash equivalents	**(771)**	224	(1,919)
Cash and cash equivalents at end of the period	**105,481**	98,841	129,870

Notes to the financial statements

1. Accounting Policies

(a) Statement of compliance

The Group condensed consolidated interim financial statements (the interim financial statements) consolidate those of Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates and jointly controlled entities. These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at, and for, the year ended 31 December 2014, which were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) 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 following parts of the Risk and Capital review form part of these interim financial statements and are reviewed:

- From the start of 'Principal uncertainties' on page 35 to the end of the 'Liquidity risk' section on page 59, excluding:
  - Country cross-border risk on page 52
  - Market risk in 2015 – Back testing, page 54
  - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), page 55
  - Encumbered assets, page 56
  - Readily available to secure funding, page 56
- From the start of 'CRD IV capital base' on page 61 to the end of 'Movement in total capital' on page 62, excluding capital ratios and risk weighted assets (RWA) amounts

(b) Basis of preparation

The interim 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.

These interim financial statements were approved by the Board of Directors on 5 August 2015. The Directors made an assessment of the Group's ability to continue as a going concern and confirm they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in the preceding annual consolidated financial statements.

New accounting standards in issue but not yet effective

A number of new standards are effective for periods beginning after 1 January 2016 and have not been applied in preparing these condensed consolidated interim financial statements as these standards have not yet been endorsed by EU. These include:

- IFRS 15 *Revenue from Contracts with Customers* - The effective date of IFRS 15 is 1 January 2018 with early adoption permitted. The standard provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. The standard must be applied retrospectively. Whilst it is expected that a significant proportion of the Group's revenue will be outside the scope of IFRS 15, the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 on these interim financial statements. IFRS 15 has yet to be endorsed by the EU.

- IFRS 9 *Financial Instruments* - IFRS 9 was issued in July 2014 and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for recognising loan loss provisions based on expected credit losses and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

  Classification and measurement – Financial assets are classified on the basis of the business model within which they are held, and their contractual cash flow characteristics. Financial assets that are held within a hold to collect business model and comprise solely payments of principal and interest (being time value of money) are classified as amortised cost. Debt instruments that comprise solely payments of principal and interest and held within a hold to collect or sell business model are classified at fair value through other comprehensive income (FVOCI). The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39. However, the requirements relating to their fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income.

  Impairment – IFRS 9 incorporates an expected loss approach for recognising credit losses. Under this approach expected credit losses or lifetime expected credit losses for all amortised cost and FVOCI debt instruments are recognised depending on whether or not significant credit deterioration has occurred since origination or acquisition. Where significant deterioration has not occurred, provision equating to 12 months of expected credit losses would be recognised whereas if there is a significant deterioration in credit risk, lifetime expected credit losses would be recognised.

1. **Accounting Policies** continued

Hedge accounting – The general hedge accounting model aligns hedge accounting more closely with risk management and establish a more principle-based approach to hedge accounting. Dynamic hedging of open portfolios is being dealt with as a separate project and until such time as that accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39. The revised hedge accounting requirements in IFRS 9 are applied prospectively.

IFRS 9 has yet to be endorsed by the EU. The impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 9 on these consolidated interim financial statements.

Significant judgements
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied to the consolidated financial statements as at, and for, the year ended 31 December 2014. A summary of the Group's significant accounting policies will be included in the 2015 Annual Report and Accounts.

2. Segmental Information

The Group is organised on a worldwide basis for management and reporting purposes into four client segments: Corporate and Institutional, Commercial, Private Banking and Retail. The strategies adopted by the client segments need to be adapted to local market and regulatory requirements, which is the responsibility of country management teams. While not the primary driver of the business, country performance is an important part of the Group's structure and is also used to evaluate performance and reward staff. Corporate items not allocated are not aggregated into the client segments because of the one-off nature of these items

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

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

Performance by Client Segments

	6 months ended 30.06.15						
	Corporate and Institutional	Commercial	Private Banking	Retail	Total reportable Segments	Corporate items not allocated	Total
	$million	$million	$million	$million	$million	$million	$million
Internal income	(27)	2	(6)	31	-	-	-
Net interest income	2,736	298	164	1,794	4,992	-	4,992
Non-interest income[1]	2,152	197	146	1,282	3,777	-	3,777
Operating income	4,861	497	304	3,107	8,769	-	8,769
Operating expenses	(2,653)	(324)	(208)	(1,857)	(5,042)	-	(5,042)
Operating profit before impairment losses and taxation	2,208	173	96	1,250	3,727	-	3,727
Impairment losses on loans and advances and other credit risk provisions	(1,040)	(154)	(94)	(364)	(1,652)	-	(1,652)
Other impairment	(81)	(6)	1	-	(86)	-	(86)
Profit from associates and joint ventures	86	10	-	13	109	-	109
Profit before taxation	1,173	23	3	899	2,098	-	2,098
Total assets employed	489,855	26,583	25,030	148,413	689,881	5,075[2]	694,956
Loans to customers	154,562	13,441	17,211	97,125	282,339	-	282,339
Total liabilities employed	442,926	29,825	30,513	141,294	644,558	1,054	645,612
Customer accounts	223,814	20,940	26,571	117,470	388,795	-	388,795
Other segment items:							
Capital expenditure[3]	736	40	13	60	849	-	849
Depreciation	164	7	1	54	226	-	226
Interests in associates and joint ventures	1,360	273	-	358	1,991	-	1,991
Amortisation of intangible assets	65	6	3	35	109	-	109

1 Includes an own credit adjustment of $55 million and $219 million relating to net gain on businesses sold

2 Excludes intangible asset which is included in the segmental assets

3 Includes capital expenditure $640 million in respect of operating lease asset

2. Segmental Information continued

Performance by Client Segments continued

	6 months ended 30.06.14						
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total reportable Segments $million	Corporate items not allocated $million	Total $million
Internal income	(8)	11	(14)	11	-	-	-
Net interest income	2,986	365	187	2,066	5,604	-	5,604
Non-interest income[1]	2,341	240	141	928	3,650	-	3,650
Operating income	5,319	616	314	3,005	9,254	-	9,254
Operating expenses	(2,546)	(362)	(227)	(1,948)	(5,083)	-	(5,083)
Operating profit before impairment losses and taxation	2,773	254	87	1,057	4,171	-	4,171
Impairment losses on loans and advances and other credit risk provisions	(266)	(100)	-	(480)	(846)	-	(846)
Other impairment	(169)	-	(16)	-	(185)	-	(185)
Profit from associates and joint ventures	90	11	-	12	113	-	113
Profit before taxation	2,428	165	71	589	3,253	-	3,253
Total assets employed	470,347	35,692	25,676	152,230	683,945	6,193[2]	690,138
Loans to customers	168,348	17,632	18,134	100,947	305,061	-	305,061
Total liabilities employed	414,709	43,261	37,554	144,672	640,196	1,380	641,576
Customer accounts	211,357	31,431	30,606	117,129	390,523	-	390,523
Other segment items:							
Capital expenditure[3]	362	35	12	51	460	-	460
Depreciation	146	5	1	55	207	-	207
Interests in associates and joint ventures[4]	1,195	312	20	405	1,932	-	1,932
Amortisation of intangible assets	73	3	2	28	106	-	106

	6 months ended 31.12.14						
	Corporate and Institutional $million	Commercial $million	Private Banking $million	Retail $million	Total reportable segments $million	Corporate items not allocated $million	Total $million
Internal income	14	(9)	8	(13)	-	-	-
Net interest income	2,835	357	159	2,048	5,399	-	5,399
Non-interest income[5]	2,363	218	131	969	3,681	-	3,681
Operating income	5,212	566	298	3,004	9,080	-	9,080
Operating expenses	(2,645)	(377)	(220)	(2,054)	(5,296)	(666)[6]	(5,962)
Operating profit before impairment losses and taxation	2,567	189	78	950	3,784	(666)	3,118
Impairment losses on loans and advances and other credit risk provisions	(725)	(112)	-	(458)	(1,295)	-	(1,295)
Other impairment							
Goodwill Impairment[7]	-	-	-	-	-	(758)	(758)
Other impairment	(138)	(35)	-	(45)	(218)	-	(218)
Profit from associates and joint ventures	108	11	-	16	135	-	135
Profit before taxation	1,812	53	78	463	2,406	(1,424)	982
Total assets employed	513,767	29,444	26,181	151,418	720,810	5,104[2]	725,914
Loans to customers	157,970	14,651	18,056	97,922	288,599	-	288,599
Total liabilities employed	466,680	32,087	36,370	142,902	678,039	1,137	679,176
Customer accounts	244,731	22,787	29,621	117,050	414,189	-	414,189
Other segment items:							
Capital expenditure[3]	1,902	85	32	47	2,066	-	2,066
Depreciation	159	8	3	57	227	-	227
Interests in associates and joint ventures[4]	1,289	280	19	374	1,962	-	1,962
Amortisation of intangible assets	34	10	4	51	99	-	99

1 Includes an own credit adjustment of $(15) million and $5 million relating to losses on businesses held for sale
2 Excludes intangible asset which is included in the segmental assets
3 Includes capital expenditure (June 2014: $216 million and December 2014: $1,750 million) in respect of operating lease assets
4 Restated to reflect a revised segmental allocation
5 Includes an own credit adjustment of $115 million and $3 million relating to net gains on businesses sold
6 Relates to $366 million for UK bank levy and $300 million for US civil monetary penalty
7 Relates to $726 million and $32 million goodwill impairment charge in North East Asia and Greater China respectively

2. Segmental Information continued

Performance by geographic regions and key countries

Entity-wide information

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

	6 months ended 30.06.15								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	28	(23)	(45)	42	42	37	(1)	(80)	-
Net interest income	1,330	480	654	993	451	495	166	423	4,992
Fees and commissions income, net	682	110	142	410	182	197	173	62	1,958
Net trading income	550	62	(97)	90	141	23	88	112	969
- Underlying	535	61	(97)	74	139	23	88	91	914
- Own credit adjustment	15	1	-	16	2	-	-	21	55
Other operating income	529	69	64	98	23	7	14	46	850
Operating income[1]	3,119	698	718	1,633	839	759	440	563	8,769
Operating expenses	(1,474)	(525)	(385)	(973)	(475)	(467)	(392)	(351)	(5,042)
Operating profit before impairment losses and taxation[1]	1,645	173	333	660	364	292	48	212	3,727
Impairment losses on loans and advances and other credit risk provisions	(290)	(136)	(485)	(328)	(134)	(148)	(19)	(112)	(1,652)
Other impairment	(1)	(7)	(18)	(1)	-	(3)	-	(56)	(86)
Profit from associates and joint ventures	77	-	-	32	-	-	-	-	109
Profit/(loss) before taxation	1,431	30	(170)	363	230	141	29	44	2,098
Total assets employed[2]	205,670	65,538	36,596	149,980	42,410	26,669	78,904	162,037	
Of which: Loans to customers[3]	86,429	30,135	23,414	74,006	21,658	12,758	12,498	21,441	
Average interest-earning assets[3]	176,340	54,406	30,728	119,589	35,233	22,125	73,822	124,744	
Net interest margin (%)	1.6	1.7	4.0	1.7	2.8	4.9	0.5	0.5	1.7
Capital expenditure[4]	655	6	10	146	3	9	5	15	849

1 Includes an own credit adjustment of $55 million and $219 million relating to net gain on businesses sold

2 Includes intra-group assets

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

4 Includes capital expenditure in Greater China of $640 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries continued
Entity-wide information

	6 months ended 30.06.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	9	(38)	17	48	53	43	1	(133)	-
Net interest income	1,506	631	624	1,101	471	484	195	592	5,604
Fees and commissions income, net	646	114	143	489	216	201	168	84	2,061
Net trading income	456	(31)	118	130	158	107	37	(21)	954
- Underlying	423	(31)	118	157	158	107	37	-	969
- Own credit adjustment	33	-	-	(27)	-	-	-	(21)	(15)
Other operating income	201	33	57	125	53	43	13	110	635
Operating income[1]	2,818	709	959	1,893	951	878	414	632	9,254
Operating expenses	(1,410)	(616)	(379)	(1,030)	(482)	(467)	(300)	(399)	(5,083)
Operating profit before impairment losses and taxation	1,408	93	580	863	469	411	114	233	4,171
Impairment losses on loans and advances and other credit risk provisions	(212)	(209)	(61)	(215)	(27)	(94)	-	(28)	(846)
Other impairment	(95)	-	-	(3)	-	-	-	(87)	(185)
Profit from associates and joint ventures	84	-	-	29	-	-	-	-	113
Profit/(loss) before taxation[1]	1,185	(116)	519	674	442	317	114	118	3,253
Total assets employed[2]	209,019	68,880	38,617	158,437	43,056	27,788	68,228	146,430	
Of which: Loans to customers[3]	95,848	29,626	24,324	86,561	23,941	13,766	11,277	19,718	
Average interest-earning assets[3]	173,336	58,554	32,663	125,702	35,524	22,652	63,303	89,870	
Net interest margin (%)	1.8	2.0	4.0	1.9	3.0	4.7	0.6	1.0	2.1
Capital expenditure [4]	237	14	16	155	7	17	1	13	460

1 Includes $(15) million relating to Own credit adjustment and $5 million relating to losses on businesses held for sale
2 Includes intra-group assets
3 The analysis is based on the location of the customers rather than booking location of the loan
4 Includes capital expenditure of $216 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by acquired entities

Notes to the financial statements continued

2. Segmental Information continued

Performance by geographic regions and key countries continued

Entity-wide information

	6 months ended 31.12.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Internal income	(37)	(42)	(68)	6	29	50	(7)	69	-
Net interest income	1,500	607	643	1,150	480	504	201	314	5,399
Fees and commissions income, net	696	122	155	469	202	212	191	71	2,118
Net trading income	342	43	113	101	86	92	47	118	942
- Underlying	281	43	113	77	86	92	47	88	827
- Own credit adjustment	61	-	-	24	-	-	-	30	115
Other operating income	221	20	53	94	95	93	15	30	621
Operating income[1]	2,722	750	896	1,820	892	951	447	602	9,080
Operating expenses[2]	(1,501)	(563)	(414)	(1,048)	(502)	(523)	(668)	(743)	(5,962)
Operating profit before impairment losses and taxation	1,221	187	482	772	390	428	(221)	(141)	3,118
Impairment losses on loans and advances and other credit risk provisions	(257)	(185)	(122)	(483)	(62)	(81)	(21)	(84)	(1,295)
Other impairment[3]	(79)	(737)	(73)	(83)	(1)	(1)	(1)	(1)	(976)
Profit from associates and joint ventures	93	-	-	33	-	10	-	(1)	135
Profit/(loss) before taxation	978	(735)	287	239	327	356	(243)	(227)	982
Total assets employed[4]	213,196	64,896	35,941	160,286	44,225	26,456	91,999	172,274	
Of which: Loans to customers[5]	89,646	29,582	22,859	78,541	22,775	13,103	10,952	21,141	
Average interest-earning assets[5]	176,277	58,517	30,823	128,493	36,463	22,192	70,802	130,444	
Net interest margin (%)	1.7	1.9	3.7	1.8	2.8	5.0	0.5	0.6	1.8
Capital expenditure [6]	1,771	26	12	222	5	21	1	8	2,066

1 Includes an own credit adjustment of $115 million and $3 million relating to net gains on businesses sold
2 Includes $366 million UK bank levy and $300 million civil monetary penalty in Americas
3 Includes $32 million and $726 million relating to goodwill impairment charge in Greater China and North East Asia respectively
4 Includes intra-group assets
5 The analysis is based on the location of the customers rather than booking location of the loan
6 Includes capital expenditure in Greater China of $1,750 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

Performance by geographic regions and key countries continued

Entity-wide information

	6 months ended 30.06.15						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	855	540	440	476	277	383	302
Fees and commissions income, net	536	243	103	111	115	58	37
Net trading income	382	63	54	(120)	80	94	84
- Underlying	367	44	53	(120)	78	94	63
- Own credit adjustment	15	19	1	-	2	-	21
Other operating income	454	59	63	56	17	68	36
Operating income[1]	2,227	905	660	523	489	603	459
Operating expenses	(923)	(518)	(499)	(298)	(286)	(387)	(293)
Operating profit before impairment losses and taxation	1,304	387	161	225	203	216	166
Impairment losses on loans and advances and other credit risk provisions	(196)	(101)	(138)	(483)	(116)	(88)	(112)
Other impairment	(1)	(1)	(7)	(18)	-	-	(56)
Profit from associates and joint ventures	-	-	-	-	-	77	-
Profit/(loss) before taxation	1,107	285	16	(276)	87	205	(2)
Total assets employed[2]	155,391	114,569	52,142	30,449	27,493	33,923	164,389
Of which: Loans to customers[3]	60,676	52,117	29,155	20,048	13,371	14,516	18,795
Capital expenditure[4]	651	138	6	8	-	2	14

1 Includes own credit adjustment and net gains on businesses sold
2 Includes intra-group assets
3 The analysis is based on the location of the customers rather than booking location of the loan
4 Includes capital expenditure in Hong Kong of $640 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

Performance profit by geographic regions and key countries continued
Entity-wide information

	6 months ended 30.06.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	948	589	568	520	316	420	394
Fees and commissions income, net	511	299	105	108	138	62	56
Net Trading income	396	61	(35)	86	103	10	(30)
- Underlying	364	81	(36)	86	103	9	(9)
- Own credit adjustment	32	(20)	1	-	-	1	(21)
Other operating income	169	66	32	45	39	24	94
Operating income[1]	2,024	1,015	670	759	596	516	514
Operating expenses	(866)	(551)	(587)	(308)	(286)	(371)	(308)
Operating profit before impairment losses and taxation	1,158	464	83	451	310	145	206
Impairment losses on loans and advances and other credit risks provisions	(163)	(28)	(209)	(56)	(21)	(35)	(26)
Other impairment	(95)	(1)	-	-	-	-	(87)
Profit from associates and joint ventures	-	-	-	-	-	84	-
Profit/(loss) before taxation	900	435	(126)	395	289	194	93
Total assets employed[2]	151,672	117,708	57,397	33,101	27,890	36,819	146,612
Of which: Loans to customers[3]	66,979	61,481	28,835	21,415	15,256	16,467	16,441
Capital expenditure[4]	230	144	14	14	1	3	10

	6 months ended 31.12.14						
	Hong Kong $million	Singapore $million	Korea $million	India $million	UAE $million	China $million	UK $million
Net interest income	958	575	541	446	289	359	337
Fees and commissions income, net	529	283	114	117	125	71	27
Net trading income	306	104	35	87	33	(16)	111
- Underlying income	245	90	35	87	33	(16)	81
- Own credit adjustment	61	14	-	-	-	-	30
Other operating income	228	50	20	43	27	(11)	(5)
Operating income[1]	2,021	1,012	710	693	474	403	470
Operating expenses[5]	(926)	(542)	(534)	(339)	(283)	(387)	(634)
Operating profit before impairment losses and taxation	1,095	470	176	354	191	16	(164)
Impairment losses on loans and advances and other credit risk provisions	(109)	(52)	(183)	(115)	(42)	(142)	(82)
Other impairment[6]	(74)	(1)	(737)	(73)	-	-	(1)
Profit from associates and joint ventures	-	(1)	-	-	-	93	-
Profit/(loss) before taxation	912	416	(744)	166	149	(33)	(247)
Total assets employed[2]	156,528	120,845	54,437	30,083	28,322	36,250	172,259
Of which: Loans to customers[3]	61,643	55,830	28,600	19,718	14,358	15,939	18,344
Capital expenditure[7]	1,766	211	25	6	1	4	9

1 Includes own credit adjustment and net gains/(losses) on businesses sold/held for sale
2 Includes intra-group assets
3 The analysis is based on the location of the customers rather than booking location of the loan
4 Includes capital expenditure in Hong Kong of $216 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities
5 Includes $366 million in respect of UK bank levy
6 Includes $32 million and $726 million related to goodwill impairment charge in Hong Kong and Korea respectively
7 Includes capital expenditure in Hong Kong of $1,750 million in respect of operating lease assets. Other capital expenditure comprises additions to property and equipment and software related intangibles including any post-acquisition additions made by the acquired entities

2. Segmental Information continued

Deposits structure by geographic regions

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

	30.06.15								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Non-interest bearing current and demand accounts	13,591	620	2,872	10,753	7,303	5,636	2,251	607	43,633
Interest bearing current accounts and savings deposits	87,992	20,854	3,042	39,235	4,287	2,841	18,467	15,419	192,137
Time deposits	44,118	14,446	10,023	41,680	13,077	2,373	19,378	35,180	180,275
Other deposits	3,521	481	500	3,868	346	221	914	13,473	23,324
Total	149,222	36,401	16,437	95,536	25,013	11,071	41,010	64,679	439,369
Deposits by banks	7,862	5,105	358	7,115	1,884	427	17,039	10,784	50,574
Customer accounts	141,360	31,296	16,079	88,421	23,129	10,644	23,971	53,895	388,795
Protected under Government insurance Schemes	26,260	9,096	1,227	11,615	795	2,694	-	65	51,752
Other Accounts	115,100	22,200	14,852	76,806	22,334	7,950	23,971	53,830	337,043
	149,222	36,401	16,437	95,536	25,013	11,071	41,010	64,679	439,369
Debt securities in issue:									
Senior debt	1,462	3,307	-	-	-	5	-	20,017	24,791
Other debt securities	2,251	5,790	53	5,609	-	67	16,830	24,990	55,590
Subordinated liabilities and other borrowed funds	1,331	332	-	-	25	42	-	20,467	22,197
Total	154,266	45,830	16,490	101,145	25,038	11,185	57,840	130,153	541,947

	31.12.14								
	Greater China $million	North East Asia $million	South Asia $million	ASEAN $million	MENAP $million	Africa $million	Americas $million	Europe $million	Total $million
Non-interest bearing current and demand accounts	12,670	514	3,201	10,579	7,969	5,826	2,610	2,582	45,951
Interest bearing current accounts and savings deposits	86,110	21,369	2,771	39,067	5,051	2,590	17,345	17,885	192,188
Time deposits	57,735	14,476	8,575	47,583	11,422	3,142	28,231	42,214	213,378
Other deposits	220	462	1,001	3,841	412	146	1,689	10,224	17,995
Total	156,735	36,821	15,548	101,070	24,854	11,704	49,875	72,905	469,512
Deposits by banks	5,200	4,202	338	7,283	2,374	687	16,496	18,743	55,323
Customer accounts	151,535	32,619	15,210	93,787	22,480	11,017	33,379	54,162	414,189
Protected under Government insurance Schemes	26,700	9,309	1,253	12,825	326	2,927	-	69	53,409
Other Accounts	124,835	23,310	13,957	80,962	22,154	8,090	33,379	54,093	360,780
	156,735	36,821	15,548	101,070	24,854	11,704	49,875	72,905	469,512
Debt securities in issue:									
Senior debt	1,416	3,919	-	-	-	5	-	18,804	24,144
Other debt securities	3,569	6,234	388	5,004	-	137	17,325	23,987	56,644
Subordinated liabilities and other borrowed funds	1,342	337	-	-	25	46	-	21,197	22,947
Total	163,062	47,311	15,936	106,074	24,879	11,892	67,200	136,893	573,247

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

3. Net trading income

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Gains less losses on instruments held for trading	**948**	1,040	940
Foreign currency[1]	**1,436**	58	240
Trading securities	**156**	146	191
Interest rate derivatives	**(470)**	871	435
Credit and other derivatives	**(174)**	(35)	74
Gains less losses from fair value hedging	**3**	(13)	(16)
Gains less losses from fair value hedged items	**475**	(280)	(1,021)
Gains less losses from fair value hedged instruments	**(472)**	267	1,005
Gains less losses on instruments designated at fair value	**18**	(73)	18
Financial assets designated at fair value through profit or loss	**26**	(7)	(58)
Financial liabilities designated at fair value through profit or loss	**(113)**	(382)	(452)
Own credit adjustment (OCA)	**55**	(15)	115
Derivatives managed with financial instruments designated at fair value through profit or loss	**50**	331	413
	969	954	942

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

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

4. Other operating income

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Other operating income includes:			
Gains less losses on disposal of financial instruments:			
Available-for-sale	**159**	249	177
Loans and receivables	**(2)**	2	6
Dividend income	**79**	64	33
Rental income from operating lease assets	**300**	247	315
Gain on disposal of property, plant and equipment	**50**	19	30
Receipt of tax refund related income	**13**	-	26
Net gain on sale of businesses	**222**	-	13
Fair value loss on business classified as held for sale	**(3)**	(5)	(10)

5. Operating expenses

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Staff costs:			
Wages and salaries	**2,482**	2,596	2,439
Social security costs	**79**	89	79
Other pension costs (note 18)	**142**	170	163
Share based payment costs	**138**	143	91
Other staff costs	**479**	456	562
	3,320	3,454	3,334

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Premises and equipment expenses			
Rental of premises	**215**	230	224
Other premises and equipment costs	**176**	199	233
Rental of computers and equipment	**11**	12	12
	402	441	469

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
General administrative expenses			
UK bank levy[1]	**-**	-	366
Civil monetary penalty[2]	**-**	-	300
Other general administrative expenses	**985**	875	1,167
	985	875	1,833

[1] Under current accounting requirements, the UK bank levy is only recognised in the financial statements on 31 December each year. The UK bank levy is applied on the chargeable equities and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2015 is the blended rate of 0.197 per cent for chargeable short term liabilities, with a lower rate of 0.098 per cent generally applied to chargeable equity and long term liabilities (i.e. liabilities with a remaining maturity greater than one year)

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

6. Depreciation and amortisation

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Premises	**50**	49	56
Equipment:			
Operating lease assets	**132**	107	127
Others	**44**	51	44
Intangibles:			
Software	**97**	85	80
Acquired on business combinations	**12**	21	19
	335	313	326

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

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Net charge against profit on loans and advances:			
Individual impairment charge	**1,687**	819	1,277
Portfolio impairment (release)/charge	**(49)**	28	10
	1,638	847	1,287
Impairment charges/(releases) related to credit commitments	**11**	(1)	7
Impairment charges relating to debt securities classified as loans and receivables	**3**	-	1
Total impairment losses and other credit risk provisions on loans and advances	**1,652**	846	1,295

An analysis of impairment provisions on loans and advances is set out within the Risk and Capital review.

8. Other impairment

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Impairment losses on available-for-sale financial assets:			
- Debt securities	**18**	55	54
- Equity shares	**48**	4	43
	66	59	97
Impairment of investment in associates	**-**	16	81
Impairment of goodwill	**-**	-	758
Impairment of fixed assets	**38**	-	-
Impairment of acquired intangible assets	**1**	-	8
Impairment of commodity assets	**-**	113	26
Other	**(5)**	-	9
	100	188	979
Recovery of impairment on disposal of instruments[1]	**(14)**	(3)	(3)
	86	185	976

[1] Relates to investment securities sold during the period which had impairment provisions raised against them in prior periods

9. Taxation

Analysis of taxation charge in the period:

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
The charge for taxation based upon the profits for the period comprises:			
Current tax:			
United Kingdom corporation tax at 20.25 per cent (30 June 2014 and 31 December 2014: 21.5 per cent):			
Current tax on income for the period	**4**	53	116
Adjustments in respect of prior periods (including double taxation relief)	**20**	(3)	(127)
Double taxation relief	**(4)**	(4)	(4)
Foreign tax:			
Current tax on income for the period	**502**	873	587
Adjustments in respect of prior periods	**(25)**	(5)	(24)
	497	914	548
Deferred tax:			
Origination/reversal of temporary differences	**71**	(50)	35
Adjustments in respect of prior periods	**(1)**	(15)	98
	70	(65)	133
Tax on profits on ordinary activities	**567**	849	681
Effective tax rate	**27.0%**	26.1%	69.3%

9. Taxation continued

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

Foreign taxation includes current taxation on Hong Kong profits of $72 million (30 June 2014: $113 million, 31 December 2014: $94 million) provided at a rate of 16.5 per cent (30 June 2014 and 31 December 2014: 16.5 per cent) on the profits assessable in Hong Kong.

Deferred taxation includes origination/reversal of temporary differences in Hong Kong profits of $(3) million (30 June 2014: $(1) million, 31 December 2014: $5 million) provided at a rate of 16.5 per cent (30 June 2014 and 31 December: 16.5 per cent) on the profits assessable to Hong Kong.

10. Dividends

Ordinary equity shares	30.06.15		30.06.14		31.12.14	
	Cents per share	$million	Cents per share	$million	Cents per share	$million
2014/2013 Final dividend declared and paid during the period[1]	**57.20**	**1,412**	57.20	1,385	-	-
2014 Interim dividend declared and paid during the period[1]	**-**	**-**	-	-	28.80	710
	57.20	**1,412**	57.20	1,385	28.80	710

[1] The amounts are gross of scrip adjustments

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2015 and 2014. Interim dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years. The 2014 interim dividend of 28.80 cents per ordinary share ($710 million) was paid to eligible shareholders on 20 October 2014 and the final dividend of 57.20 cents per ordinary share ($1,412 million) was paid to eligible shareholders on 14 May 2015.

2015 recommended interim dividend
The 2015 interim dividend of 14.40 cents per share ($366 million) will be paid in either pounds sterling, Hong Kong dollars or US dollars on 19 October 2015 to shareholders on the UK register of members at the close of business in the UK (10:00 pm London time) on 14 August 2015, and to shareholders on the Hong Kong branch register of members at the opening of business in Hong Kong (9:00 am Hong Kong time) on 14 August 2015. The 2015 interim dividend will be paid in Indian rupees on 19 October 2015 to Indian Depository Receipt holders on the Indian register at the close of business in India on 14 August 2015.

It is intended that shareholders on the UK register and Hong Kong branch register will be able to elect to receive shares credited as fully paid instead of all or part of the final cash dividend. Details of the dividend arrangements will be sent to shareholders on or around 4 September 2015. Indian Depository Receipt holders will receive their dividend in Indian rupees only.

Preference shares

		30.06.15 $million	30.06.14 $million	31.12.14 $million
Non-cumulative irredeemable preference shares:	7 $^{3}/_{8}$ per cent preference shares of £1 each[1]	**6**	6	7
	8 $^{1}/_{4}$ per cent preference shares of £1 each[1]	**6**	6	6
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of $5 each[2]	**26**	26	27
	6.409 per cent preference shares of $5 each[2]	**24**	24	24

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

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

11. Earnings per ordinary share

	6 months ended 30.06.15			6 months ended 30.06.14		
	Profit[1]	Weighted average number of shares	Per share amount	Profit[1]	Weighted average number of shares	Per share amount
	$million	('000)	cents	$million	('000)	cents
Basic earnings per ordinary share	**1,462**	**2,496,639**	**58.6**	2,310	2,441,899	94.6
Effect of dilutive potential ordinary shares:						
Options[2]		**9,089**			16,259	
Diluted earnings per ordinary share	**1,462**	**2,505,728**	**58.3**	2,310	2,458,158	94.0

	6 months ended 31.12.14		
	Profit[1]	Weighted average number of shares	Per share amount
	$million	('000)	cents
Basic earnings per ordinary share	202	2,474,488	8.2
Effect of dilutive potential ordinary shares:			
Options		14,591	
Diluted earnings per ordinary share	202	2,489,079	8.1

[1] Profit amounts represent the profit attributable to ordinary shareholders, which is profit for the year after non-controlling interest and the declaration of dividends payable to the holders of the non-cumulative redeemable preference shares classified as equity (see note 10)
[2] The impact of anti-dilutive options has been excluded from this amount as required by IAS 33 *Earnings per share.*

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

11. Earnings per ordinary share continued

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

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Operating income as reported	**8,769**	9,254	9,080
Items normalised:			
Fair value movements on own credit adjustment	**(55)**	15	(115)
Gain on disposal of property	**-**	(19)	(30)
Net gain arising on sale of business	**(222)**	-	(13)
Fair value loss on business classified as held for sale	**3**	5	10
	(274)	1	(148)
Normalised operating income	**8,495**	9,255	8,932
Operating expenses as reported	**(5,042)**	(5,083)	(5,962)
Items normalised:			
Amortisation of intangible assets arising on business combinations	**12**	21	19
Civil monetary penalty[1]	**-**	-	300
	12	21	319
Normalised operating expenses	**(5,030)**	(5,062)	(5,643)
Other impairment as reported	**(86)**	(185)	(976)
Items normalised:			
Impairment of associates	**-**	16	81
Impairment of acquired intangibles	**-**	-	8
Impairment of goodwill	**-**	-	758
	-	16	847
Normalised other impairment	**(86)**	(169)	(129)
Taxation as reported	**(567)**	(849)	(681)
Tax on normalised items [2]	**15**	9	11
Normalised taxation	**(552)**	(840)	(670)
Profit as reported [3]	**1,462**	2,310	202
Items normalised as above:			
Operating income	**(274)**	1	(148)
Operating expenses	**12**	21	319
Other impairment	**-**	16	847
Taxation	**15**	9	11
	(247)	47	1,029
Normalised profit	**1,215**	2,357	1,231
Normalised basic earnings per ordinary share (cents)	**48.7**	96.5	49.7
Normalised diluted earnings per ordinary share (cents)	**48.5**	95.9	49.5

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

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

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

12. Financial instruments

Classification

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

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Available-for-sale $million	Assets at amortised cost: Loans and receivables $million	Assets at amortised cost: Held-to-maturity $million	Assets at amortised cost: Non-financial assets $million	Total $million
Cash and balances at central banks		-	-	-	-	77,274	-	-	77,274
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		2,315	-	442	-	-	-	-	2,757
Loans and advances to customers[1]		2,103	-	1,048	-	-	-	-	3,151
Treasury bills and other eligible bills		2,109	-	90	-	-	-	-	2,199
Debt securities		15,006	-	403	-	-	-	-	15,409
Equity shares		5,407	-	886	-	-	-	-	6,293
		26,940	-	2,869	-	-	-	-	29,809
Derivative financial instruments	13	59,558	1,300	-	-	-	-	-	60,858
Loans and advances to banks[1]		-	-	-	-	80,425	-	-	80,425
Loans and advances to customers[1]		-	-	-	-	279,188	-	-	279,188
Investment securities									
Treasury bills and other eligible bills		-	-	-	27,591	-	7	-	27,598
Debt securities		-	-	-	78,596	3,101	112	-	81,809
Equity shares		-	-	-	1,824	-	-	-	1,824
		-	-	-	108,011	3,101	119	-	111,231
Other assets	14	-	-	-	-	34,728	-	3,081	37,809
Total at 30 June 2015		86,498	1,300	2,869	108,011	474,716	119	3,081	676,594

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Available-for-sale $million	Assets at amortised cost: Loans and receivables $million	Assets at amortised cost: Held-to-maturity $million	Assets at amortised cost: Non-financial assets $million	Total $million
Cash and balances at central banks		-	-	-	-	97,282	-	-	97,282
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		3,368	-	242	-	-	-	-	3,610
Loans and advances to customers[1]		2,833	-	1,071	-	-	-	-	3,904
Treasury bills and other eligible bills		1,720	-	92	-	-	-	-	1,812
Debt securities		17,735	-	-	-	-	-	-	17,735
Equity shares		4,556	-	1,006	-	-	-	-	5,562
		30,212	-	2,411	-	-	-	-	32,623
Derivative financial instruments	13	64,111	1,723	-	-	-	-	-	65,834
Loans and advances to banks[1]		-	-	-	-	83,890	-	-	83,890
Loans and advances to customers[1]		-	-	-	-	284,695	-	-	284,695
Investment securities									
Treasury bills and other eligible bills		-	-	-	24,073	-	16	-	24,089
Debt securities		-	-	-	74,937	2,883	122	-	77,942
Equity shares		-	-	-	2,207	-	-	-	2,207
		-	-	-	101,217	2,883	138	-	104,238
Other assets	14	-	-	-	-	30,754	-	7,935	38,689
Total at 31 December 2014		94,323	1,723	2,411	101,217	499,504	138	7,935	707,251

1 Further analysed in Risk and Capital review

12. Financial instruments continued

Classification 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		-	-	867	-	-	867
Customer accounts		-	-	11,316	-	-	11,316
Debt securities in issue		-	-	9,216	-	-	9,216
Short positions		3,929	-	-	-	-	3,929
		3,929	-	21,399	-	-	25,328
Derivative financial instruments	13	56,354	2,297	-	-	-	58,651
Deposits by banks		-	-	-	49,707	-	49,707
Customer accounts		-	-	-	377,479	-	377,479
Debt securities in issue		-	-	-	71,165	-	71,165
Other liabilities	16	-	-	-	33,472	841	34,313
Subordinated liabilities and other borrowed funds	17	-	-	-	22,197	-	22,197
Total at 30 June 2015		60,283	2,297	21,399	554,020	841	638,840

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		-	-	932	-	-	932
Customer accounts		-	-	8,836	-	-	8,836
Debt securities in issue		-	-	8,837	-	-	8,837
Short positions		3,785	-	-	-	-	3,785
		3,785	-	18,605	-	-	22,390
Derivative financial instruments	13	61,896	1,417	-	-	-	63,313
Deposits by banks		-	-	-	54,391	-	54,391
Customer accounts		-	-	-	405,353	-	405,353
Debt securities in issue		-	-	-	71,951	-	71,951
Other liabilities	16	-	-	-	30,086	1,188	31,274
Subordinated liabilities and other borrowed funds	17	-	-	-	22,947	-	22,947
Total at 31 December 2014		65,681	1,417	18,605	584,728	1,188	671,619

12. Financial instruments continued

There is no significant change to what was disclosed in the Group's 2014 Annual Report in respect of valuation methodology and Levelling approaches.

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy as at 30 June 2015 and 31 December 2014.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	-	2,757	-	2,757
Loans and advances to customers	-	2,771	380	3,151
Treasury bills and other eligible bills	1,847	348	4	2,199
Debt securities	8,208	6,216	985	15,409
Of which:				
Government bonds	7,548	1,361	98	9,007
Issued by corporates other than financial institutions	133	2,608	433	3,174
Issued by financial institutions	527	2,247	454	3,228
Equity shares	5,366	3	924	6,293
Derivative financial instruments	620	59,676	562	60,858
Of which:				
Foreign exchange	97	43,209	374	43,680
Interest rate	-	13,447	50	13,497
Commodity	522	2,445	-	2,967
Credit	-	265	32	297
Equity and stock index	1	310	106	417
Investment securities				
Treasury bills and other eligible bills	23,086	4,379	126	27,591
Debt securities	32,959	45,227	410	78,596
Of which:				
Government bonds	17,223	7,749	101	25,073
Issued by corporates other than financial institutions	11,241	9,512	304	21,057
Issued by financial institutions	4,495	27,966	5	32,466
Equity shares	939	8	877	1,824
Total at 30 June 2015	73,025	121,385	4,268	198,678

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	867	-	867
Customer accounts	-	11,315	1	11,316
Debt securities in issue	-	8,706	510	9,216
Short positions	3,267	662	-	3,929
Derivative financial instruments	704	57,652	295	58,651
Of which:				
Foreign exchange	109	42,407	244	42,760
Interest rate	-	13,179	12	13,191
Commodity	595	981	-	1,576
Credit	-	577	14	591
Equity and stock index	-	508	25	533
Total at 30 June 2015	3,971	79,202	806	83,979

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

12. Financial instruments continued

Valuation hierarchy continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	-	3,610	-	3,610
Loans and advances to customers	-	3,264	640	3,904
Treasury bills and other eligible bills	1,578	234	-	1,812
Debt securities	8,466	8,874	395	17,735
Of which:				
Government bonds	8,158	1,519	-	9,677
Issued by corporates other than financial institutions	84	2,861	187	3,132
Issued by financial institutions	224	4,494	208	4,926
Equity shares	4,754	-	808	5,562
Derivative financial instruments	759	64,500	575	65,834
Of which:				
Foreign exchange	40	43,665	379	44,084
Interest rate	-	15,157	47	15,204
Commodity	719	4,983	-	5,702
Credit	-	420	20	440
Equity and stock index	-	275	129	404
Investment securities				
Treasury bills and other eligible bills	20,895	3,178	-	24,073
Debt securities	30,696	43,881	360	74,937
Of which:				
Government bonds	16,321	6,053	66	22,440
Issued by corporates other than financial institutions	9,790	9,713	289	19,792
Issued by financial institutions	4,585	28,115	5	32,705
Equity shares	1,248	6	953	2,207
Total at 31 December 2014	68,396	127,547	3,731	199,674

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	932	-	932
Customer accounts	-	8,835	1	8,836
Debt securities in issue	-	8,629	208	8,837
Short positions	3,267	518	-	3,785
Derivative financial instruments	863	62,154	296	63,313
Of which:				
Foreign exchange	102	44,814	240	45,156
Interest rate	-	13,677	16	13,693
Commodity	761	2,161	-	2,922
Credit	-	955	10	965
Equity and stock index	-	547	30	577
Total at 31 December 2014	4,130	81,068	505	85,703

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

12. 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. In total, the Group has made $564 million (2014: $432 million) of valuation adjustments in determining fair value for financial assets and financial liabilities classified as Level 2 and Level 3 financial instruments. The main adjustments are described below:

Valuation adjustments	30.06.15 $ million	31.12.14 $ million
Bid-offer	**68**	66
Credit[1]	**138**	160
Model	**14**	14
Funding Valuation Adjustment	**168**	111
Others (including Day 1)	**176**	81
Total	**564**	432

[1] Includes debit valuation adjustments on derivative/liabilities

Level 3 movement tables - Financial assets

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	Treasury Bills $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 2015	640	-	395	808	575	-	360	953	3,731
Total (losses)/gains recognised in income statement	(287)	-	5	(13)	(94)	-	(20)	4	(405)
Total losses recognised in other comprehensive income	-	-	-	-	-	-	(23)	(8)	(31)
Purchases	333	-	349	298	86	-	-	56	1,122
Sales	(337)	-	(2)	(222)	(63)	-	9	(135)	(750)
Settlements	-	-	-	-	(44)	-	(30)	-	(74)
Transfers out[1]	-	-	-	-	(11)	(1)	(49)	-	(61)
Transfers in[2]	31	4	238	53	113	127	163	7	736
At 30 June 2015	380	4	985	924	562	126	410	877	4,268
Total (losses)/gains recognised in the income statement relating to assets held at 30 June 2015	(287)	-	6	(14)	(95)	-	(18)	1	(407)

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

[2] Transfers in during the period primarily relate to investment in structured notes, corporate debt securities and loans and advances where the valuation parameters become unobservable during the period

12. Financial instruments continued

Level 3 movement tables - Financial assets

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury Bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 January 2014	720	159	904	598	19	608	1,456	4,464
Total (losses)/gains recognised in income statement	(44)	3	(22)	19	-	(37)	126	45
Total gains/ (losses) recognised in other comprehensive income	-	-	-	-	-	2	(89)	(87)
Purchases	11	27	34	6	-	38	5	121
Sales	-	(4)	(65)	(1)	-	(26)	(558)	(654)
Settlements	(27)	(4)	-	(87)	(11)	(13)	-	(142)
Transfers out[1]	(15)	-	(149)	(3)	-	(71)	-	(238)
Transfers in[2]	205	5	-	2	-	160	4	376
At 30 June 2014	850	186	702	534	8	661	944	3,885
Total (losses)/gains recognised in the income statement relating to assets held at 30 June 2014	(33)	-	(6)	19	-	-	-	(20)

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Treasury bills $million	Investment securities: Debt securities $million	Investment securities: Equity shares $million	Total $million
At 1 July 2014	850	186	702	534	8	661	944	3,885
Total (losses)/gains recognised in income statement	(137)	4	(85)	(31)	-	27	65	(157)
Total losses recognised in other comprehensive income	-	-	-	-	-	(68)	(55)	(123)
Purchases	181	246	410	86	-	(21)	309	1,211
Sales	(231)	(34)	(176)	(5)	-	(57)	(322)	(825)
Settlements	(34)	(15)	-	(20)	11	(21)	-	(79)
Transfers out[1]	9	(3)	(43)	-	(19)	(56)	-	(112)
Transfers in[2]	2	11	-	11	-	(105)	12	(69)
At 31 December 2014	640	395	808	575	-	360	953	3,731
Total (losses)/gains recognised in the income statement relating to assets held at 31 December 2014	(154)	5	54	29	-	(37)	(16)	(119)

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

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

Notes to the financial statements continued

12. Financial instruments continued

Level 3 movement tables – Financial liabilities

Liabilities	30.06.15 Customer accounts $million	30.06.15 Debt securities in issue $million	30.06.15 Derivative financial instruments $million	30.06.15 Total $million	30.06.14 Customer accounts $million	30.06.14 Debt securities in issue $million	30.06.14 Derivative financial instruments $million	30.06.14 Total $million
At 1 January	**1**	**208**	**296**	**505**	8	39	441	488
Total losses/(gains) recognised in income statement	**-**	**6**	**8**	**14**	-	1	(13)	(12)
Issues	**-**	**220**	**11**	**231**	-	21	4	25
Settlements	**-**	**(65)**	**(19)**	**(84)**	(5)	(16)	(72)	(93)
Transfers out[1]	**-**	**-**	**(4)**	**(4)**	-	-	-	-
Transfers in[2]	**-**	**141**	**3**	**144**	-	31	-	31
At 30 June	**1**	**510**	**295**	**806**	3	76	360	439
Total losses recognised in the income statement relating to liabilities held at end of the period	**-**	**-**	**7**	**7**	-	-	15	15

Liabilities	31.12.14 Customer accounts $million	31.12.14 Debt securities in issue $million	31.12.14 Derivative financial instruments $million	31.12.14 Total $million
At 1 July 2014	3	76	360	439
Total losses/(gains) recognised in income statement	-	2	(5)	(3)
Issues	-	138	23	161
Settlements	(2)	(8)	(80)	(90)
Transfers in[2]	-	-	(2)	(2)
At 31 December 2014	1	208	296	505
Total losses recognised in the income statement relating to liabilities held at 31 December 2014	-	-	29	29

[1] Transfers out during the period primarily relate to certain financial instruments where the valuation parameters became observable during the period and were transferred to Level 2 financial liabilities

[2] Transfers in during the period primarily relate to certain financial instruments for which parameters became unobservable during the period

12. Financial instruments continued

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

Instrument	Value at 30 June 2015 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	380	1	Comparable pricing/Yield	Price/Yield	11.7% to 17.3%	15.1%
				Recovery rates	19.3% to 75.0%	26.5%
Debt securities[2]	1,018	-	Comparable pricing/Yield	Price/Yield	0.9% to 30.0%	10.2%
Asset backed securities	178	-	Discounted cash flows	Price/Yield	12% to 4.5%	3.1%
			Discounted cash flows	Discount Margin	15.1%	15.1%
Debt securities in issue	-	510	Internal pricing model	Equity correlation	-35.0% to 97.0%	N/A
			Discounted cash flows	Credit Spreads	0.6 to 4.0%	1.9%
Government bonds	329	-	Discounted cash flows	Price/Yield	1.6% to 31.9%	4.2%
			Comparable pricing/Yield	Price/Yield	91.1 to 104.0	101.3
Derivative financial instruments of which:						
Foreign exchange	374	244	Option pricing model	Foreign exchange option implied volatility	1.4% to 33.4%	6.7%
Interest rate	50	12	Discounted cash flows	Interest rate curves	0.3% to 14.9%	4.2%
			Spread option model	Interest rate correlation	97.9% to 98.9%	98.1%
Credit	32	14	Discounted cash flows	Credit spreads	0.2% to 0.5%	2.4%
Equity	106	25	Internal pricing model	Equity correlation	-35.0% to 97.0%	N/A
Equity shares	1,801	-	Comparable pricing/Yield	EV/EBITDA multiples	7.8x to 19.0x	11.8x
(includes private equity				P/E multiples	18.2x	18.2x
investments)				Liquidity discount	10.0% to 20.0%	13.6%
Total	4,268	806				

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 during the reporting period ended 30 June 2015. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's level 3 financial instruments.

2 Weighted average for non-derivative financial instruments have been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator.

12. Financial instruments continued

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

Credit Spreads
Credit Spreads represent the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument.

Recovery rates
Recovery Rate is the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan.

Comparable Price/Yield
Comparable pricing is a valuation methodology in which a price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash-flows in a discounted cash-flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (e.g., deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset.

Discount margin
Discount margin is the required return over a floating index to compensate the risk associated with the asset. An increase in discount margin, in isolation, would result in an unfavourable movement in the fair value of the asset.

Correlation
Correlation is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates.

Volatility
Volatility represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be.

Interest rate curves
Interest rate curve is the term structure of interest rates and measure of future interest rates at a particular point of time.

EV/EBITDA ratio multiples
This is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple in isolation, will result in a favourable movement in the fair value of the unlisted firm.

P/E multiples
Price Earnings multiple is the ratio of the Market Capitalisation to the Net Income after tax. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm.

Liquidity discounts in the valuation of unlisted investments
A liquidity discount is primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm.

12. Financial instruments continued

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

Sensitivity analysis is performed on financial instruments with significant unobservable inputs to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analysis performed on a set of reference prices, which included certain equity indices, credit indices and volatility indices, based on the composition of our Level 3 assets. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This Level 3 sensitivity analysis assumes a one way market move and does not consider offsets for hedges.

	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	**985**	**1,000**	**970**	**410**	**438**	**382**
Equity shares	**924**	**1,016**	**832**	**877**	**965**	**789**
Loan and advances	**380**	**543**	**348**	**-**	**-**	**-**
Treasury bills	**4**	**4**	**4**	**126**	**127**	**125**
Derivative financial instruments	**267**	**392**	**141**	**-**	**-**	**-**
Debt securities in issue	**(510)**	**(500)**	**(520)**	**-**	**-**	**-**
At 30 June 2015	**2,050**	**2,455**	**1,775**	**1,413**	**1,530**	**1,296**
Financial instruments held at fair value						
Debt securities	395	404	385	360	386	337
Equity shares	808	889	727	953	1,048	858
Loan and advances	639	661	620	-	-	-
Treasury bills	-	-	-	-	-	-
Derivative financial instruments	279	334	222	-	-	-
Debt securities in issue	(208)	(202)	(214)	-	-	-
At 31 December 2014	1,913	2,086	1,740	1,313	1,434	1,195

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

Financial instruments	Fair value changes	**30.06.15 $million**	31.12.14 $million
Designated at fair value through profit or loss	Possible increase	**405**	173
	Possible decrease	**(275)**	(173)
Available-for-sale	Possible increase	**117**	121
	Possible decrease	**(117)**	(118)

12. Financial instruments continued

Valuation of financial instruments measured at amortised cost on a recurring basis

The table shows the carrying amounts and 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 reported may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument.

Details of the basis used by the Group to establish fair values of amortised cost financial instruments and their valuation hierarchy can be found in the 2014 Annual Report.

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	**77,274**	**-**	**77,274**	**-**	**77,274**
Loans and advances to banks	**80,425**	**-**	**80,570**	**171**	**80,741**
Loans and advances to customers	**279,188**	**-**	**5,214**	**273,204**	**278,418**
Investment securities	**3,220**	**-**	**3,173**	**92**	**3,265**
Other assets[1]	**34,728**	**-**	**34,728**	**-**	**34,728**
At 30 June 2015	**474,835**	**-**	**200,959**	**273,467**	**474,426**
Liabilities					
Deposits by banks	**49,707**	**-**	**49,705**	**-**	**49,705**
Customer accounts	**377,479**	**-**	**375,173**	**-**	**375,173**
Debt securities in issue	**71,165**	**20,017**	**51,103**	**-**	**71,120**
Subordinated liabilities and other borrowed funds	**22,197**	**21,628**	**456**	**-**	**22,084**
Other liabilities[1]	**33,472**	**-**	**33,472**	**-**	**33,472**
At 30 June 2015	**554,020**	**41,645**	**509,909**	**-**	**551,554**

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	97,282	-	97,282	-	97,282
Loans and advances to banks	83,890	-	83,843	180	84,023
Loans and advances to customers	284,695	-	5,450	278,398	283,848
Investment securities	3,021	-	3,031	28	3,059
Other assets[1]	30,754	-	30,753	-	30,753
At 31 December 2014	499,642	-	220,359	278,606	498,965
Liabilities					
Deposits by banks	54,391	-	54,427	-	54,427
Customer accounts	405,353	-	405,879	-	405,879
Debt securities in issue	71,951	19,119	52,682	-	71,801
Subordinated liabilities and other borrowed funds	22,947	20,549	1,880	-	22,429
Other liabilities[1]	30,086	-	30,086	-	30,086
At 31 December 2014	584,728	39,668	544,954	-	584,622

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

13. Derivative financial instruments

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

	30.06.15			31.12.14		
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	**1,873,468**	**17,274**	**15,933**	1,611,476	19,265	20,649
Currency swaps and options	**1,486,030**	**26,406**	**26,827**	1,589,989	24,819	24,507
Exchange traded futures and options	**302**	**-**	**-**	300	-	-
	3,359,800	**43,680**	**42,760**	3,201,765	44,084	45,156
Interest rate derivative contracts:						
Swaps	**2,278,884**	**12,674**	**12,102**	2,264,473	14,325	12,874
Forward rate agreements and options	**124,031**	**823**	**1,089**	186,796	879	819
Exchange traded futures and options	**1,632,106**	**-**	**-**	1,313,920	-	-
	4,035,021	**13,497**	**13,191**	3,765,189	15,204	13,693
Credit derivative contracts	**26,061**	**297**	**591**	32,055	440	965
Equity and stock index options	**20,159**	**417**	**533**	16,585	404	577
Commodity derivative contracts	**131,457**	**2,967**	**1,576**	130,058	5,702	2,922
Total derivatives	**7,572,498**	**60,858**	**58,651**	7,145,652	65,834	63,313

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

Derivatives held for hedging

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

	30.06.15			31.12.14		
	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	**48,989**	**511**	**291**	48,427	671	335
Forward foreign exchange contracts	**8**	**-**	**-**	12	1	-
Currency swaps	**31,040**	**669**	**1,924**	30,953	905	892
	80,037	**1,180**	**2,215**	79,392	1,577	1,227
Derivatives designated as cash flow hedges:						
Interest rate swaps	**13,284**	**6**	**29**	9,465	5	17
Forward foreign exchange contracts	**1,595**	**12**	**46**	2,375	4	75
Currency swaps	**3,114**	**68**	**7**	6,524	62	98
	17,993	**86**	**82**	18,364	71	190
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**1,648**	**34**	**-**	1,098	75	-
Total derivatives held for hedging	**99,678**	**1,300**	**2,297**	98,854	1,723	1,417

14. Other assets

	30.06.15 $million	31.12.14 $million
Financial assets held at amortised cost (note 12)		
Hong Kong SAR Government certificates of indebtedness (note 16)[1]	**4,785**	4,738
Cash collateral	**9,264**	10,311
Acceptances and endorsements	**4,634**	5,212
Unsettled trades and other financial assets	**16,045**	10,493
	34,728	30,754
Non-financial assets and assets held for sale		
Commodities	**2,637**	4,432
Assets held for sale[2]	**207**	3,237
Other assets	**237**	266
	37,809	38,689

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

2 The disposal groups are measured at fair value less costs to sell and the assets and liabilities held for sale are classified within level 3 of the fair value hierarchy. The disposal groups mainly include businesses held for sale in Pakistan, consisting of Standard Chartered Leasing Co. Limited, Standard Chartered Modarba and Standard Chartered Services (Pvt.) Ltd. The Group has recognised a fair value loss of $3 million (2014: $15 million) within Other operating income (note 4) relating to assets held for sale during 2015. The businesses held for sale in Hong Kong, Korea and Lebanon at 31 December 2014, were completed in 2015

15. Goodwill and intangible assets

	30.06.15				30.06.14			
	Goodwill $million	Acquired intangibles $million	Software $million	Total $million	Goodwill $million	Acquired intangibles $million	Software $million	Total $million
Cost at 30 June	**4,230**	**522**	**1,453**	**6,205**	5,269	685	1,236	7,190
Provision for amortisation	**-**	**(444)**	**(538)**	**(982)**	-	(559)	(431)	(990)
Net book value at 30 June	**4,230**	**78**	**915**	**5,223**	5,269	126	805	6,200

	31.12.14			
	Goodwill $million	Acquired intangibles $million	Software $million	Total $million
Cost at 31 December	4,982	564	1,348	6,894
Impairment charge	(758)	-	-	(758)
	4,224	564	1,348	6,136
Provision for amortisation	-	(467)	(479)	(946)
Net book value at 31 December	4,224	97	869	5,190

Outcome of impairment assessment

At 30 June 2015 the Group has performed a review of the goodwill that has been assigned to the Group's cash generating units for indicators of impairment, considering whether there were any reduced expectations for future cash flows and/or fluctuations in the discount rate or the assumptions.

At 30 June 2015, the results of this review indicated that there is no goodwill impairment to be recognised. The Group believes that a reasonable possible change in any of the key assumptions on which the recoverable amounts have been based would not cause the carrying amounts to exceed their recoverable amount.

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

16. Other liabilities

	30.06.15 $million	31.12.14 $million
Financial liabilities held at amortised cost (note 12)		
Notes in circulation[1]	**4,785**	4,738
Acceptances and endorsements	**4,634**	5,212
Cash collateral	**7,851**	7,005
Unsettled trades and other financial liabilities	**16,202**	13,131
	33,472	30,086
Non-financial liabilities		
Cash-settled share based payments	**17**	37
Liabilities held for sale[2]	**80**	710
Other liabilities	**744**	441
	34,313	31,274

1 Hong Kong currency notes in circulation of $4,785 million (31 December 2014: $4,738 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 14)

2 The $80 million is in respect of businesses held for sale in Pakistan; the disposal group consists of Standard Chartered Leasing Co. Limited, Standard Chartered Modarba and Standard Chartered Services (Pvt.) Ltd. The related assets are disclosed in note 14

17. Subordinated liabilities and other borrowed funds

	30.06.15				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	**10,673**	**5,190**	**4,181**	**1,830**	**21,874**
Floating rate subordinated debt	**238**	**48**	**-**	**37**	**323**
Total	**10,911**	**5,238**	**4,181**	**1,867**	**22,197**

	31.12.14				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	10,836	5,274	4,645	1,870	22,625
Floating rate subordinated debt	238	47	-	37	322
Total	11,074	5,321	4,645	1,907	22,947

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

There were no issuances or redemptions during the period.

18. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.15 $million	30.06.14 $million	31.12.14 $million
Total market value of assets	**2,626**	2,671	2,634
Present value of the schemes' liabilities	**(3,020)**	(3,119)	(3,025)
Defined benefit schemes obligation	**(394)**	(448)	(391)
Defined contribution schemes obligation	**(15)**	(24)	(22)
Net obligation	**(409)**	(472)	(413)

Retirement benefit charge comprises:

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Defined benefit schemes	**52**	56	49
Defined contribution schemes	**90**	114	114
Charge against profit (note 5)	**142**	170	163

The pension cost for defined benefit schemes was:

	6 months ended 30.06.15 $million	6 months ended 30.06.14 $million	6 months ended 31.12.14 $million
Current service cost and administrative expenses	**46**	49	45
Past service cost and curtailments	**-**	-	(1)
Gain on settlements	**(1)**	-	(1)
Interest income on pension scheme assets	**(43)**	(53)	(55)
Interest on pension scheme liabilities	**50**	60	61
Total charge to profit before deduction of tax	**52**	56	49
Return on plan assets excluding interest income	**(2)**	(22)	(131)
(Gain)/loss on liabilities	**(13)**	92	122
Total (gain)/loss recognised directly in statement of comprehensive income before tax	**(15)**	70	(9)
Deferred taxation	**6**	(14)	1
Total (gain)/loss after tax	**(9)**	56	(8)

19. Share capital, reserves and own shares

Group and Company

	Number of ordinary shares	Ordinary share capital	Preference share capital	Total
	millions	$million	$million	$million
At 1 January 2014	2,427	1,214	-	1,214
Capitalised on scrip dividend	36	18	-	18
Shares issued	7	3	-	3
At 30 June 2014	2,470	1,235	-	1,235
Capitalised on scrip dividend	2	1	-	1
Shares issued	1	-	-	-
At 31 December 2014	**2,473**	**1,236**	**-**	**1,236**
Capitalised on scrip dividend	**69**	**35**	**-**	**35**
Shares issued	**5**	**2**	**-**	**2**
At 30 June 2015	**2,547**	**1,273**	**-**	**1,273**

2015

On 14 May 2015, the Company issued 69,186,004 new ordinary shares instead of the 2014 final dividend.

During the period 4,815,731 shares were issued under employee share plans at prices between nil and 1,140 pence.

2014

On 14 May 2014, the Company issued 36,260,040 new ordinary shares instead of the 2013 final dividend and on the 20 October 2014 the Company issued 1,315,836 new ordinary shares instead of the 2014 interim dividend.

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

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.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of Standard Chartered PLC in whole but not in part, on the first call date or on any fifth anniversary after the first call date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest to (but excluding) the date fixed for redemption. Any redemption is subject to Standard Chartered PLC giving notice to relevant regulator and the regulator granting permission to redeem
- The interest rate in respect of the securities for the period from (and including) the issue date to (but excluding) 2 April 2020 is a fixed rate of 6.50 per cent per annum. The reset date for the interest rate is 2 April 2020 and each date falling five, or an integral multiple of five years after the first reset date
- The interest rate on the securities will be payable semi-annually in arrears on 2 April and 2 October in each year, commencing on 2 October 2015 and will be 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
- 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

Distributable reserves

As at 30 June 2015, the distributable reserves of Standard Chartered PLC (the Company) were $12.1 billion (31 December 2014: $12 billion).

19. Share capital, reserves and own shares continued

Own shares
Bedell Cristin Trustees Limited is trustee of both the 1995 Employees' Share Ownership Plan Trust (1995 Trust), and the Standard Chartered 2004 Employee Benefit Trust (2004 Trust). Both trusts are employee benefit trusts used in conjunction with some of the Group's employee share schemes and or for the delivery of other employee share based payments (such as fixed pay allowances).

The trustee has agreed to satisfy a number of awards made under the Group's employee share schemes; the deferred bonus arrangements and fixed pay allowances delivered in shares through the trusts. As part of these arrangements, Group companies fund the trusts, from time to time, to enable the trustee to acquire shares to satisfy these awards.

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	30.06.15	30.06.14	31.12.14	30.06.15	30.06.14	31.12.14	30.06.15	30.06.14	31.12.14
Shares purchased during period	**2,812,579**	4,090,094	-	**296,481**	1,050,401	255,787	**3,109,060**	5,140,495	255,787
Market price of shares purchased ($ million)	**43**	84	-	**5**	21	5	**48**	105	5
Shares held at the end of the period	**2,509,499**	5,392,574	5,291,941	**-**	5,807	-	**2,509,499**	5,398,381	5,291,941
Maximum number of shares held during the period							**7,517,013**	8,591,232	7,808,099

20. Contingent liabilities and commitments

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

	30.06.15 $million	31.12.14 $million
Contingent liabilities		
Guarantees and irrevocable letters of credit	**30,528**	33,318
Other contingent liabilities	**9,004**	9,214
	39,532	42,532
Commitments		
Documentary credits and short term trade-related transactions	**6,231**	7,911
Forward asset purchases and forward deposits placed	**224**	78
Undrawn formal standby facilities, credit lines and other commitments to lend[1]:		
One year and over	**45,482**	42,380
Less than one year	**16,859**	18,490
Unconditionally cancellable	**109,512**	109,535
	178,308	178,394

[1] 2014 balances have been re-presented

The Group's share of contingent liabilities and commitments relating to joint ventures is $326 million (2014: $336 million).

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

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

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

21. Legal and regulatory matters

While the Group seeks to comply with the letter and spirit of all applicable laws and regulations at all times, it has been, and may continue to be, subject to regulatory actions, reviews, requests for information (including subpoenas and requests for documents) and investigations across our markets, the outcomes of which are generally difficult to predict and can be material to the Group.

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

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the 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; and (iv) a set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor.

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

The Group recognises that its compliance with historical, current and future sanctions, as well as AML and BSA requirements, and customer due diligence practices, not just in the US but throughout its footprint are and will remain a focus of the relevant authorities. The Group continues to work closely with its home regulators on financial crime compliance. This has prompted changes to the processes in a number of the Group's markets and client segments. As a result, the Group has tightened client on-boarding procedures to reduce inherent risk, while continuing to improve controls.

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

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

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

In addition to these matters, the Group receives legal claims against it in a number of jurisdictions arising in the normal course of business. The Group considers none of these claims as material. Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

22. Post balance sheet events

Tax

On 8 July 2015 the UK government announced changes to tax rates. These changes have not been substantively enacted at the balance sheet date and accordingly have not been reflected in this half year report. The changes are as follows:

- **Reductions in the main rate of UK corporation tax**: the effect of these reductions is to lower the rate to 19 per cent in 2017-18 and to 18 per cent in 2020-21. Management estimates that the impact of these changes will not be material to the Group
- **Corporation tax surcharge**: an 8% corporation tax surcharge applies to UK profits of banks with effect from 1 January 2016. Management estimates that the annual impact of this change will not be material to the Group
- **UK Bank Levy**: a phased reduction in the rate at which the UK Bank Levy is charged on qualifying liabilities is introduced. The current rates of 0.21 per cent for short term liabilities and 0.105 per cent for long term liabilities will be gradually reduced over the next 6 years. The rates applicable from 1 January 2021 will be 0.10 per cent for short term liabilities and 0.05 per cent for long term liabilities. In addition, the scope of the Bank Levy will be restricted to the balance sheet of UK operations only from 2021 onwards. There will be a consultation over the next couple of months regarding the restriction of scope

Group announcement on simplification of structure

On 19 July 2015, the Group announced a simplification of its organisational structure that will improve accountability, speed up decision making and operational efficiency. This involves:

- a rationalised geographic structure, comprising four regional businesses (Greater China & North Asia; ASEAN & South Asia; Africa & Middle East and Europe & Americas)
- a simplified client-facing structure, comprising three client businesses (Corporate & Institutional Banking; Commercial & Private Banking and Retail Banking)

The simplified organisational structure will be fully in place by 1 January 2016 and the Group's financial reporting will be based on the new structure from 1 January 2016.

23. Related party transactions

Directors, connected persons or officers

As at 30 June 2015, Standard Chartered Bank had created a charge over $79 million (30 June 2014: $74 million; 31 December 2014: $68 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

Other than as disclosed in the accounts, there were no material transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

Associate and Joint Ventures

	30.06.15				31.12.14			
	China Bohai Bank $million	Asia Commercial Bank $million	Clifford Capital $million	PT Bank Permata $million	China Bohai Bank[1] $million	Asia Commercial Bank $million	Clifford Capital $million	PT Bank Permata $million
Assets								
Loans and advances	-	29	-	74	-	-	30	136
Debt securities	-	-	-	114	-	-	-	120
Derivative assets	28	-	-	-	18	-	-	
Total assets	28	29	-	188	18	-	30	256
Liabilities								
Deposits	8	-	4	41	89	-	4	40
Derivative liabilities	1	-	-	-	1	-	-	-
Total liabilities	9	-	4	41	90	-	4	40
Loan commitments and other guarantees	-	-	50	-	-	-	50	-

[1] Balances have been restated

24. Corporate governance

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

As previously announced Mr Oliver Stocken, CBE stepped down from the Board as an Independent Non-Executive Director on 28 February 2015. Ms Gay Huey Evans and Ms Jasmine Whitbread joined the Board as Independent Non-Executive Directors on 1 April 2015. Mr V Shankar and Mr Jaspal Bindra both stepped down from the Board as Group Executive Directors on 30 April 2015. Mr Peter Sands stepped down from the Board as Group Chief Executive on 10 June 2015 and Mr William Winters was appointed as Group Chief Executive on 10 June 2015. Mr Naguib Kheraj who was appointed to the Board in January 2014 was appointed as Senior Independent Director on 16 June 2015 replacing Ms Ruth Markland, who along with Mr Paul Skinner, CBE will step down from the Board by the end of 2015.

Since 31 December 2014 the membership of a number of committees has changed resulting in a change in the emolument of a number of Independent Non-Executive Directors. A list of the committee's membership can be found at www.sc.com. In compliance with Rule 13.51B(1) of the Hong Kong Listing Rules, the Board Regulatory Compliance Oversight Committee ceased to exist with effect from 1 January 2015. Sir John Peace, Mr Naguib Kheraj, Ms Ruth Markland, Mr Mike Rees, Mr V Shankar, Mr Paul Skinner, CBE and Dr Lars Thunell all stepped down from this committee from that date. The Board Financial Crime Risk Committee was established on 1 January 2015. Its membership comprises Mr Simon Lowth as Chairman and four members, Mrs Christine Hodgson, Mr Naguib Kheraj, Ms Ruth Markland and Dr Lars Thunell. Mrs Christine Hodgson was appointed as Chair of the Remuneration Committee and a member of the Governance and Nomination Committee on 7 May 2015. Ms Ruth Markland stepped down as Chair of the Remuneration Committee (although remains a member) and as a member of the Audit Committee on 6 May 2015. She also stepped down from the Governance and Nomination Committee on 15 June 2015. Ms Gay Huey Evans was appointed to the Board Risk Committee, Ms Jasmine Whitbread to the Remuneration Committee and Dr Byron Grote to the Remuneration Committee on 16 June 2015. Dr Byron Grote stepped down from the Brand, Values and Conduct Committee on 16 June 2015. The Senior Independent Director receives a fee of GBP 40,000. Members of the Audit, Brand, Values and Conduct, Remuneration, Board Risk and Board Financial Crime Risk Committees receive a fee of GBP 30,000 per committee. Members of the Governance and Nomination Committee receive a fee of GBP 15,000 and the fee for Chairing the Remuneration and Board Financial Crime Risk Committees is GBP 60,000.

In compliance with Rule 13.51B (1) of the Hong Kong Listing Rules, the Company confirms that Dr Han Seung-soo, KBE, Independent Non-Executive Director was appointed as a Non-Executive Director of Doosan Infracore Co Ltd with effect from 27 March 2015, Ms Gay Huey Evans, Independent Non-Executive Director stepped down from the Board of Aviva PLC with effect from 29 April 2015. Dr Byron Grote, Independent Non-Executive Director stepped down from the Board of Unilever NV and Unilever PLC with effect from 29 April 2015 and 30 April 2015 respectively. He was appointed as Non-Executive Director of Tesco PLC with effect from 1 May 2015. Dr Lars Thunell, Independent Non-Executive Director stepped down from the Board of Kosmos Energy Ltd with effect from 2 June 2015.

25. Statutory accounts

The information in this half year report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 5 August 2015. The statutory accounts for the year ended 31 December 2014 have been reported by the Company's auditors and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

26. UK and Hong Kong accounting requirements

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

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Andy Halford
Group Chief Financial Officer
5 August 2015

Independent review report by KPMG LLP to Standard Chartered PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 set out on pages 68 to 108, which comprises the condensed consolidated interim balance sheet, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Michelle Hinchliffe
for and on behalf of KPMG LLP
Chartered Accountants
London
5 August 2015

A. Remuneration

Performance and reward philosophy and principles

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

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

Total remuneration is typically delivered via a combination of base salary, benefits, variable compensation and, for some employees, a fixed pay allowance. Consistent with its pay for performance culture, the Group's discretionary variable compensation incentives play an integral role in enabling it to recognise and reward superior performance and behaviour that support the Group's values.

B. Group Share Plans

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

Approved by shareholders in May 2011, this is the Group's main share plan; applicable to all employees with the flexibility to provide a variety of award types. The 2011 Plan is designed to deliver various types of share awards including those subject to long term performance conditions, giving the Group sufficient flexibility to meet the challenges of the changing regulatory and competitive environment. Share awards are a key part of both executive directors' and senior management's variable compensation. Such awards ensure that there is an appropriate return for the risk taken and that the measure is aligned with the Group's risk appetite.

Deferred awards are used to deliver the deferred portion of total variable compensation, in line with both market practice and regulatory requirements. These awards are subject to a three or five year deferral period, vesting equally on each anniversary of the award date. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice.

Underpin shares are subject to a combination of two performance measures: earnings per share (EPS) growth and return on risk weighted assets (RoRWA). The weighting between the two elements is split equally, one-half of the award depending on each measure, assessed independently. Underpin share awards form part of the variable compensation awarded to executive directors. Discretionary variable compensation for executive directors will not exceed 200 per cent of fixed pay as valued in accordance with the European Banking Authority rules.

Performance shares are subject to a combination of three performance measures: relative total shareholder return (TSR), earnings per share (EPS) growth and return on risk weighted assets (RoRWA). The weighting between the three elements is split equally, one-third of the award depending on each measure, assessed independently. Performance share awards form part of the variable compensation awarded to executive directors.

Details of deferred, underpin and performance shares awards for executive directors can be found in the Directors' remuneration report. Such awards accrue dividend equivalent payments, in the form of additional shares, during the vesting period. All awards are subject to the Group's claw-back policy.

Restricted share awards which are made outside of the annual performance process, as additional incentive or retention mechanisms, are provided as restricted shares under the 2011 Plan. These awards typically vest in equal instalments on the second and the third anniversaries of the award date. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance conditions.

The remaining life of the plan during which new awards can be made is six years.

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

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

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

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

All Employee Sharesave Plan (2004 International Sharesave, 2004 UK Sharesave and 2013 Sharesave)

Under the Sharesave plans, employees have the choice of opening a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave plans. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries the Group offers an equivalent cash-based plan to its employees. The 2004 Sharesave plans are now closed and no further awards will be granted under these plans.

The Standard Chartered 2013 Sharesave Plan was approved by Shareholders in May 2013 and all future sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is eight years.

Valuation of options

Details of the valuation models used in determining the fair values of options granted under the Group's share plans are detailed in the Group's 2014 Annual Report and Accounts.

Reconciliation of option movements for the 6 months to 30 June 2015

	2011 Plan[1]						
	Performance Shares	Deferred / Restricted shares	PSP[1]	RSS[1]	SRSS[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2015	14,277,137	18,235,300	249,645	2,245,347	663,148	14,017,543	10.91
Granted	83,787[2]	10,350,841[3]	-	-	-	-	-
Lapsed	(4,453,436)	(300,059)	(44,564)	(145,723)	(314,544)	(3,998,999)	10.81
Exercised	(431,456)	(6,388,521)	(42,821)	(535,003)	(126,007)	(222,692)	10.66
Outstanding at 30 June	9,476,032	21,897,561	162,260	1,564,621	222,597	9,795,852	10.95
Exercisable at 30 June 2015	382,462	3,639,176	162,260	1,564,621	222,597	-	-
Range of exercise prices (£)	-	-	-	-	-	9.85 – 14.63	-
Intrinsic value of vested but not exercised options ($ million)	0.3	3.3	0.4	1.7	0.4	-	-
Weighted average contractual remaining life (years)	8.2	5.8	2.9	2.1	1.8	1.6	-
Weighted average share price for options exercised during the period (£)	10.27	10.04	10.62	10.43	10.30	10.82	-

1 Employees do not contribute towards the cost of these awards
2 83,787 granted on 19 March 2015
3 243,724 (notional dividend) granted on 11 March 2015, 537,814 (notional dividend) granted on 13 March 2015, 9,426,009 granted on 19 March 2015, 140,722 granted on 17 June 2015, 256 (notional dividend) granted on 18 June 2015, 222 (notional dividend) granted on 19 June 2015, and 2,094 (notional dividend) granted on 20 June 2015

C. Non-executive directors' interests in ordinary shares as at 30 June 2015[1]

	At 1 January 2015	Personal interests	Family interests	At 30 June 2015	Vested share awards	Unvested share awards
Chairman						
Sir J W Peace	29,382	113,270	-	113,270	-	33,977
Independent non-executive directors						
Current non-executive directors						
O P Bhatt	2,000	2,000	-	2,000	N/A	N/A
Dr K M Campbell[2]	-	-	-	-	N/A	N/A
Dr L Cheung	2,000	2,000	-	2,000	N/A	N/A
Dr B E Grote	25,000	25,000	-	25,000	N/A	N/A
C M Hodgson	2,000	2,000	-	2,000	N/A	N/A
G Huey Evans[3]	-	2,000	-	2,000	N/A	N/A
N Kheraj	2,000	2,000	-	2,000	N/A	N/A
S J Lowth	10,854	11,162	-	11,162	N/A	N/A
R Markland	4,152	4,317	-	4,317	N/A	N/A
Dr Han Seung-soo, KBE	2,572	2,674	-	2,674	N/A	N/A
P D Skinner, CBE	16,467	17,122	-	17,122	N/A	N/A
Dr L H Thurnell	6,773	6,773	-	6,773	N/A	N/A
J Whitbread[3]	-	2,000	-	2,000	N/A	N/A
Former non-executive directors						
O H J Stocken[4]	17,915	-	-	17,915	N/A	N/A

1 All figures are as at 30 June 2015 or on the retirement of a director, unless otherwise stated
2 Non-executive directors are required to hold shares with a nominal value of $1,000. All the directors, other than Dr Kurt Campbell, have met this requirement. Shareholders approved a resolution to disapply the shareholding qualification in relation to Dr Kurt Campbell at the Company's Annual General Meeting in May 2014
3 Gay Huey Evans and Jasmine Whitbread was appointed to the Board on 1 April 2015
4 Oliver Stocken resigned from the Board with effect from 28 February 2015

The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares

No director had either (i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (b) any corporate interests in the Company's ordinary shares

D. Executive directors' interests in ordinary shares as at 30 June 2015

Scheme interests awarded

	Interest awarded	Face value[1] GBP	Percentage vesting at threshold (if applicable)	Number of shares	Performance period end date
A N Halford	Performance share award[2]	283,226	25%	27,154	31 Dec 2019
	Underpin share award[3]	141,614	100%	13,577	31 Dec 2017
	Underpin share award[3]	141,614	100%	13,577	31 Dec 2017
	Deferred share award[4]	385,188	-	36,930	-

1 Face value calculated based on share value at date of grant 19 March 2015
2 Performance share awards are exercisable between 19 March 2020 and 19 March 2025 subject to meeting long term performance conditions
3 Underpin share awards are exercisable between either 19 March 2018 and 19 March 2022 or 19 March 2020 and 19 March 2022, subject in both cases to meeting long term performance conditions assessed over a three year period
4 Deferred share awards are not subject to performance conditions and are exercisable between 19 March 2018 and 19 March 2022

All the above awards were made in respect of 2014 performance and are part of 2014 total variable compensation decisions disclosed in the 2014 Annual Report and Accounts. All are subject to notional dividend payments at the date of vesting

Executive directors' shareholdings as at 30 June 2015[1]

	Are the shareholding requirements met?			Share awards			
Director	Shares held beneficially[2]	Actual shareholding requirement in number of shares	Alignment to requirement	Awards exercised[3]	Vested but unexercised deferred share awards	Deferred share awards not subject to performance conditions	Deferred share awards subject to performance conditions
W T Winters[4]	2,000	250,000	on track	-	-	-	-
A M G Rees	243,754	200,000	met	-	304,701	202,564	344,384
A N Halford[5]	92,055	150,000	on track	-	-	36,930	182,853
P A Sands[6]	322,341	250,000	met	106,434	-	75,486	387,495
J S Bindra[7]	283,247[8]	150,000	met	56,574	-	42,162	210,293
V Shankar[7]	236,127	150,000	met	69,380	-	45,554	230,591

1 All figures are as at 30 June 2015 or on the retirement of an executive director, unless stated otherwise
2 Fixed pay allowance shares are included in the totals beneficially held by each executive director. However, they do not immediately count for the purposes of meeting any shareholding requirement
3 During the relevant period, the executive directors exercised nil cost options (being performance share awards and deferred share awards that have been reported in previous years) over a total of 232,388 shares on 13 March 2015. The closing share price on the day before exercise was £9.65
4 Bill Winters joined the Board on 10 June 2015 and will be required to meet his shareholding requirement within a reasonable period of time
5 Andy Halford joined the Board on 1 July 2014 and will be required to meet his shareholding requirement within a reasonable period of time
6 Peter Sands stepped down from the Board on 10 June 2015. Figures shown are as at 10 June 2015
7 Jaspal Bindra and V Shankar both stepped down from the Board on 30 April 2015. Figures shown are as at 30 April 2015
8 153,000 of these shares are subject to a charge from 28 December 2011

The beneficial interests of executive directors and their families in the ordinary shares of the Company are set out above. The executive directors do not have any non-beneficial interests in the Company's shares

No executive director had either (i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (b) any corporate interests in the Company's ordinary shares

D. Executive directors' interests in ordinary shares as at 30 June 2015 continued

Sharesave

Director	Date of grant	At 1 January 2015	Exercise price (pence)	Awarded during the year	Exercised	Lapsed	At 30 June 2015 (or date of retirement)	Period of exercise
P A Sands[1]	1 Oct 2012	789	1,140	-	-	-	789	2015-2016
J S Bindra[2]	9 Oct 2009	1,407	1,104	-	-	-	1,407	2014-2015
J S Bindra[2]	8 Oct 2014	913	985	-	-	913	-	2018-2019

1 Peter Sands stepped down from the Board on 10 June 2015. Disclosures in the table above are as at 10 June 2015
2 Jaspal Bindra stepped down from the Board on 30 April 2015. Disclosures in the table above are as at 30 April 2015

E. Share price information

The middle market price of an ordinary share at the close of business on 30 June 2015 was 1,019 pence. The share price range during the first half of 2015 was 881 pence to 1,141 pence (based on the closing middle market prices).

F. Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO).

As a result of this exemption, shareholders no longer have an obligation under the SFO to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

G. Code for Financial Reporting Disclosure

The British Bankers' Association Code for Financial Reporting Disclosure sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited. The Group's interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with the Code's principles.

H. Shareholder information

2015 interim dividend

Ex-dividend date[1]	13 August 2015
Record date for dividend	14 August 2015
Dividend payment date	19 October 2015

2015 final dividend	(provisional only)
Results and dividend announcement date	23 February 2016
Preference shares	**Next half-yearly dividend**
7 3/8 per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2015
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	1 October 2015
6.409 per cent Non-Cumulative preference shares of $5 each	30 July 2015
7.014 per cent Non-Cumulative preference shares of $5 each	30 July 2015

1 Ex-dividend date is Wednesday 12 August 2015 for the Hong Kong branch register

Previous dividend payments (not adjusted for rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under the share dividend scheme
Interim 2004	8 October 2004	17.06c/9.4851p/HK$1.3303	£9.546/$17.16958
Final 2004	13 May 2005	40.44c/21.145p/HK$3.15156	£9.384/$17.947
Interim 2005	14 October 2005	18.94c/10.7437p/HK$1.46911	£11.878/$21.3578
Final 2005	12 May 2006	45.06c/24.9055p/HK$3.49343	£14.2760/$24.77885
Interim 2006	11 October 2006	20.83c/11.14409p/HK$1.622699	£13.2360/$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK$3.926106	£14.2140/$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124*	£17.394/$27.190
Final 2010	11 May 2011	46.45c/28.2725p/HK$3.623404/INR1.9975170*	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125*	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015*	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950*	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575*	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813*	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626*	£11.949/$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560*	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059*	£9.797/$14.374

* The INR dividend is per Indian Depository Receipt

H. Shareholder information continued

ShareCare

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

Donating shares to ShareGift

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

Bankers' Automated Clearing System (BACS)

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

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, or contact the shareholder helpline on 0370 702 0138.

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

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 001, India.

Chinese translation

If you would like a Chinese version of this Half year report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

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

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

If there is a dispute between any translation and the English version of this Half year report, the English text shall prevail.

Taxation

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

I. Convenience translation of selected financial statements into Indian Rupees

In compliance with clause 37(3) of Indian Depository Receipts Listing agreement, the Consolidated financial statements on pages 58 to 72 are presented in Indian rupees (INR) using a US dollar / Indian rupee exchange rate of 63.7549 as at 30 June 2015 as published by Reserve Bank of India. Amounts have been translated using the said exchange rate including totals and sub-totals and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Condensed consolidated interim income statement (Translated to INR)

For the six months ended 30 June 2015

	6 months ended 30.06.15 Rs. million	6 months ended 30.06.14 Rs. million	6 months ended 31.12.14 Rs. million
Interest income	**490,084**	548,483	534,330
Interest expense	**(171,819)**	(191,201)	(190,117)
Net interest income	**318,264**	357,282	344,213
Fees and commission income	**141,090**	145,616	150,908
Fees and commission expense	**(16,257)**	(14,217)	(15,875)
Net trading income	**61,778**	60,822	60,057
Other operating income	**54,192**	40,484	39,592
Non-interest income	**240,802**	232,705	234,682
Operating income	**559,067**	589,988	578,894
Staff costs	**(211,666)**	(220,209)	(212,559)
Premises costs	**(25,629)**	(28,116)	(29,901)
General administrative expenses	**(62,799)**	(55,786)	(116,863)
Depreciation and amortisation	**(21,358)**	(19,955)	(20,784)
Operating expenses	**(321,452)**	(324,066)	(380,107)
Operating profit before impairment losses and taxation	**237,615**	265,922	198,788
Impairment losses on loans and advances and other credit risk provisions	**(105,323)**	(53,937)	(82,563)
Other impairment			
Goodwill	**-**	-	(48,326)
Other	**(5,483)**	(11,795)	(13,899)
Profit from associates and joint ventures	**6,949**	7,204	8,607
Profit before taxation	**133,758**	207,395	62,607
Taxation	**(36,149)**	(54,128)	(43,417)
Profit for the period	**97,609**	153,267	19,190
Profit attributable to:			
Non-controlling interests	**1,211**	2,805	3,060
Parent company shareholders	**96,397**	150,462	16,130
Profit for the period	**97,609**	153,267	19,190

	Rupees	Rupees	Rupees
Earnings per share:			
Basic earnings per ordinary share	**37.4**	60.3	5.2
Diluted earnings per ordinary share	**37.2**	59.9	5.2
Dividends per ordinary share:			
Interim dividend declared	**9.18**		
Interim dividend paid		18.36	
Final dividend paid			36.47

	Rs. million	Rs. million	Rs. million
Total dividend:			
Total interim dividend payable	**23,334**		
Total interim dividend (paid 20 October 2014)		45,266	
Total final dividend (paid 14 May 2015)			90,022

Condensed consolidated interim statement of comprehensive income (Translated to INR)

For the six months ended 30 June 2015

	6 months ended 30.06.15 Rs.million	6 months ended 30.06.14 Rs.million	6 months ended 31.12.14 Rs.million
Profit for the period	**97,609**	153,267	19,190
Other comprehensive income :			
Items that will not be reclassified to Income statement:			
Actuarial gains/(losses) on retirement benefit obligations	**956**	(4,463)	574
Items that may be reclassified subsequently to Income statement:			
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity	**(38,508)**	22,824	(92,317)
Net gains/(losses) on net investment hedges	**1,275**	(3,698)	4,973
Share of other comprehensive income from associates and joint ventures	**(64)**	383	701
Available-for-sale investments:			
Net valuation gains taken to equity	**8,926**	17,724	12,815
Reclassified to income statement	**(10,073)**	(15,875)	(11,093)
Cash flow hedges:			
Net gains/(losses) taken to equity	**510**	4,272	(11,667)
Reclassified to income statement	**2,805**	191	638
Taxation relating to components of other comprehensive income	**(1,403)**	(1,913)	510
Other comprehensive income for the period, net of taxation	**(35,575)**	19,445	(94,867)
Total comprehensive income for the period	**62,034**	172,712	(75,677)
Total comprehensive income attributable to:			
Non-controlling interests	**(701)**	1,849	2,168
Parent company shareholders	**62,735**	170,863	(77,845)
	62,034	172,712	(75,677)

Condensed consolidated interim balance sheet (Translated to INR)

As at 30 June 2015

	30.06.15 Rs.million	31.12.14 Rs.million
Assets		
Cash and balances at central banks	**4,926,596**	6,202,204
Financial assets held at fair value through profit or loss	**1,900,470**	2,079,876
Derivative financial instruments	**3,879,996**	4,197,240
Loans and advances to banks	**5,127,488**	5,348,399
Loans and advances to customers	**17,799,603**	18,150,701
Investment securities	**7,091,521**	6,645,683
Other assets	**2,410,509**	2,466,613
Current tax assets	**24,673**	23,079
Prepayments and accrued income	**163,404**	168,759
Interests in associates and joint ventures	**126,936**	125,087
Goodwill and intangible assets	**332,992**	330,888
Property, plant and equipment	**493,463**	509,019
Deferred tax assets	**29,200**	33,025
Total assets	**44,306,850**	46,280,574
Liabilities		
Deposits by banks	**3,169,065**	3,467,693
Customer accounts	**24,066,136**	25,843,240
Financial liabilities held at fair value through profit or loss	**1,614,784**	1,427,472
Derivative financial instruments	**3,739,289**	4,036,514
Debt securities in issue	**4,537,117**	4,587,229
Other liabilities	**2,187,622**	1,993,871
Current tax liabilities	**49,793**	56,806
Accruals and deferred income	**331,908**	377,110
Subordinated liabilities and other borrowed funds	**1,415,168**	1,462,984
Deferred tax liabilities	**17,405**	15,684
Provisions for liabilities and charges	**6,567**	5,865
Retirement benefit obligations	**26,076**	26,331
Total liabilities	**41,160,928**	43,300,798
Equity		
Share capital	**81,160**	78,801
Share premium	**347,464**	349,504
Other reserves	**583,549**	617,785
Retained earnings	**1,989,408**	1,914,177
Total parent company shareholders' equity	**3,001,581**	2,960,268
Other equity instruments	**126,681**	-
Total equity excluding non-controlling interests	**3,128,262**	2,960,268
Non-controlling interests	**17,660**	19,509
Total equity	**3,145,922**	2,979,777
Total equity and liabilities	**44,306,850**	46,280,574

Consolidated statement of changes in equity (Translated to INR)

For the six months ended 30 June 2015

	Share capital and Share premium account	Other equity instruments	Capital and Capital redemption reserve[1]	Merger reserve	Available -for-sale reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Parent company shareholders' equity	Non-controlling interests	Total
	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million
At 1 January 2014	427,604	-	1,148	791,900	28,435	956	(134,268)	1,832,635	2,948,409	37,934	2,986,343
Profit for the period	-	-	-	-	-	-	-	150,462	150,462	2,805	153,267
Other comprehensive income	-	-	-	-	(319)	3,762	20,593	(3,634)[2]	20,402	(956)	19,445
Distributions	-	-	-	-	-	-	-	-	-	(2,996)	(2,996)
Shares issued, net of expenses	574	-	-	-	-	-	-	-	574	-	574
Net own shares adjustment	-	-	-	-	-	-	-	(5,674)	(5,674)	-	(5,674)
Share option expense, net of taxation	-	-	-	-	-	-	-	8,607	8,607	-	8,607
Capitalised on scrip dividend	-	-	-	-	-	-	-	-	-	-	-
Dividends, net of scrip	-	-	-	-	-	-	-	(45,776)	(45,776)	-	(45,776)
Other increases/(decreases)[3]	-	-	-	-	-	-	-	893	893	(18,616)	(17,724)
At 30 June 2014	428,178	-	1,148	791,900	28,116	4,718	(113,675)	1,937,511	3,077,895	18,170	3,096,065
Profit for the period	-	-	-	-	-	-	-	16,130	16,130	3,060	19,190
Other comprehensive income	-	-	-	-	956	(8,352)	(87,025)	446[2]	(93,975)	(893)	(94,867)
Distributions	-	-	-	-	-	-	-	-	-	(829)	(829)
Shares issued, net of expenses	128	-	-	-	-	-	-	-	128	-	128
Net own shares adjustment	-	-	-	-	-	-	-	(255)	(255)	-	(255)
Share option expense, net of taxation	-	-	-	-	-	-	-	7,077	7,077	-	7,077
Dividends, net of scrip	-	-	-	-	-	-	-	(46,732)	(46,732)	-	(46,732)
At 31 December 2014	**428,305**	**-**	**1,148**	**791,900**	**29,072**	**(3,634)**	**(200,700)**	**1,914,177**	**2,960,268**	**19,509**	**2,979,777**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96,397**	**96,397**	**1,211**	**97,609**
Other comprehensive income	**-**	**-**	**-**	**-**	**(829)**	**1,976**	**(35,384)**	**574**[2]	**(33,663)**	**(1,913)**	**(35,575)**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,084)**	**(1,084)**
Shares issued, net of expenses	**319**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**319**	**-**	**319**
Other equity instruments issued, net of expenses	**-**	**126,681**	**-**	**-**	**-**	**-**	**-**	**-**	**126,681**	**-**	**126,681**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,913)**	**(1,913)**	**-**	**(1,913)**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,010**	**10,010**	**-**	**10,010**
Capitalised on scrip dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends, net of scrip	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(29,837)**	**(29,837)**	**-**	**(29,837)**
Other decrease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(64)**	**(64)**
At 30 June 2015	**428,624**	**126,681**	**1,148**	**791,900**	**28,243**	**(1,658)**	**(236,084)**	**1,989,408**	**3,128,262**	**17,660**	**3,145,922**

1 Includes capital reserve of Rs.319 million and capital redemption reserve of Rs.829 million

2 Comprises actuarial gains, net of taxation and non-controlling interests of Rs.574 million (30 June 2014: loss of Rs.3,634 million and 31 December 2014: gain of Rs.638 million)

3 Relate to the redemption of $300 million 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited

Condensed consolidated interim cash flow statement (translated to INR)

For the six months ended 30 June 2015

	6 months ended 30.06.15 Rs.million	6 months ended 30.06.14 Rs.million	6 months ended 31.12.14 Rs.million
Cash flows from operating activities			
Profit before taxation	**133,758**	207,395	62,607
Adjustments for:			
Non-cash items included within income statement	**134,905**	98,183	186,802
Change in operating assets	**587,884**	(65,285)	(805,416)
Change in operating liabilities	**(2,000,310)**	499,520	3,282,485
Contributions to defined benefit schemes	**(1,976)**	(1,594)	(4,654)
UK and overseas taxes paid	**(39,719)**	(53,044)	(55,849)
Net cash (used in)/from operating activities	**(1,185,459)**	685,174	2,665,975
Cash flows from investing activities			
Purchase of property, plant and equipment	**(3,251)**	(4,718)	(7,332)
Disposal of property, plant and equipment	**3,698**	1,339	2,933
Investment in associates and joint ventures	**-**	-	(4,080)
Disposal of subsidiaries	**42,397**	-	-
Purchase of investment securities	**(7,636,881)**	(5,962,422)	(6,536,981)
Disposal and maturity of investment securities	**7,122,634**	6,149,160	6,095,287
Dividends received from associates and joint ventures	**701**	701	128
Net cash (used in)/from investing activities	**(470,702)**	184,060	(450,046)
Cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	**319**	574	128
Issue of additional tier-1 capital, net of expenses	**126,681**	-	-
Purchase of own shares	**(2,486)**	(6,694)	(319)
Exercise of share options through ESOP	**574**	1,020	64
Interest paid on subordinated liabilities	**(37,042)**	(33,790)	(35,703)
Gross proceeds from issue of subordinated liabilities	**-**	258,590	40,038
Repayment of subordinated liabilities	**-**	(18,170)	(116,608)
Repayment to non-controlling interests	**-**	(19,126)	-
Interest paid on senior debts	**(16,895)**	(26,012)	(21,167)
Gross proceeds from issue of senior debts	**308,701**	216,384	203,059
Repayment of senior debts	**(198,533)**	(271,277)	(137,264)
Dividends paid to non-controlling interests and preference shareholders, net of scrip	**(4,272)**	(6,184)	(4,080)
Dividends paid to ordinary shareholders, net of scrip	**(26,650)**	(42,588)	(43,481)
Net cash from/(used in) financing activities	**150,398**	52,725	(115,333)
Net (decrease)/increase in cash and cash equivalents	**(1,505,763)**	921,960	2,100,596
Cash and cash equivalents at beginning of the period	**8,279,849**	5,365,357	6,301,598
Effect of exchange rate movements on cash and cash equivalents	**(49,155)**	14,281	(122,346)
Cash and cash equivalents at end of the period	**6,724,931**	6,301,598	8,279,849

Summary of significant differences between Indian GAAP and IFRS

The condensed consolidated financial statements of the Group for the period ended 30 June 2015 with comparatives as at 31 December 2014 and 30 June 2014 are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

IFRS differs in certain significant respects from Indian Generally Accepted Accounting Principles (GAAP). Such differences involve methods for measuring the amounts shown in the financial statements of the Group, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on profit attributable to parent company shareholders for the period ended 30 June 2015, 30 June 2014 and 31 December 2014 and total parent company shareholders' equity as at the same dates. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for years ended on or prior to 30 June 2015. The Group has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared condensed consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Group undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below. Accordingly, the Group does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Group. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP. Finally, no attempt has been made to identify all differences between IFRS and Indian GAAP that may affect the financial statements as a result of transaction or events that may occur in the future.

In making an investment decision, potential investors should consult their own professional advisers for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial results of the Group. The summary does not purport to be complete and is subject, and qualified in its entirety by reference, to the pronouncements of the International Accounting Standards Board (IASB), together with the pronouncements of the Indian accounting profession.

Changes in accounting policy

IFRS (IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

Indian GAAP (AS 5 Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies)

The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact disclosed.

Where a change in accounting policy has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable this fact should be indicated.

Functional and presentation currency

IFRS (IAS 21 The Effects of Changes in Foreign Exchange Rates)

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.

Assets and liabilities are translated at the closing rate at the date of that statement of financial position. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is US dollars.

Indian GAAP (AS 11 The Effects of Changes in Foreign Exchange Rates)

There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Indian rupees. A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items should be reported using the closing rate
- non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction
- non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined

Summary of significant differences between Indian GAAP and IFRS continued

Consolidation

IFRS (IFRS 10 Consolidated Financial Statements)

Entities are consolidated when the Group controls an entity. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. This includes entities where control is not derived through voting rights such as structured entities.

Indian GAAP (AS 21 Consolidated Financial Statements)

Guidance is based on the power through the ability to govern the financial and operating policies of an entity so as to obtain benefits while not taking into consideration potential voting rights.

Indian GAAP (Consolidation of Structured Entities)

No specific guidance.

Business combinations

IFRS (IFRS 3 Business Combinations)

All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values. Pooling of interest method is prohibited.

For acquisitions occurring on or after 1 January 2004, IFRS 3 requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and if considered to have a finite life, amortised through the income statement over an appropriate period. As the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, no intangible assets, other than goodwill, were recognised on acquisitions prior to that date.

Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill. After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement. Where less than 100 per cent of an entity is acquired, non-controlling interests are stated at their proportion of the fair value of the identifiable net assets and contingent liabilities acquired.

Indian GAAP (AS 14 Accounting for Amalgamations)

Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation or whether it is an acquisition of a business. For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.

For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.

Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition. Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in the case of an amalgamation accounted for under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation. Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

Goodwill

IFRS (IFRS 3 Business Combinations and IAS 38 Intangible Assets)

IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Under the transitional provisions of IFRS 1, the Group has not applied IFRS 3, or its predecessor IAS 22, to transactions that occurred before 1 January 2004, the date of transition to IFRS. Accordingly, goodwill previously written off to reserves, as permitted under UK GAAP until the implementation of FRS 10 Goodwill and intangible assets in 1998, has not been reinstated nor will it be written back on disposal. Amortisation of goodwill that has been charged up to 31 December 2003 has not been reversed and the deemed carrying value of the goodwill on transition to IFRS is equal to the net book value as at 31 December 2003. Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

Indian GAAP (AS 14 Accounting for Amalgamations and AS 26 Intangible Assets)

Goodwill arising for amalgamations is capitalised and amortised over their useful life not exceeding five years, unless a longer period can be justified. For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance. In practice there is either no amortisation or amortisation is not exceeding 10 years. Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed under exceptional circumstances only in subsequent accounting periods through the income statement.

Summary of significant differences between Indian GAAP and IFRS continued

Acquired and internally generated intangible assets
IFRS (IAS 38 Intangible Assets)
Intangible assets are recognised if the specific criteria are met. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.

Indian GAAP (AS 26 Intangible Assets)
Intangible assets are capitalised if specific criteria are met and are amortised over their useful lives, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired.

Property, plant and equipment
IFRS (IAS 16 Property, Plant and Equipment; IAS 23 Borrowing Costs)
Fixed assets are recorded at cost or revalued amounts. Under the transition rules of IFRS 1, the Group elected to freeze the value of all its properties held for its own use at their 1 January 2004 valuations, their deemed cost under IFRS. They will not be revalued in the future.

Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalised as part of the asset. Depreciation is recorded over the asset's estimated useful life. The residual value, the useful life of an asset and the depreciation method shall be reviewed at least at each financial year-end. The Group has the option to capitalise borrowing costs incurred during the period that the asset is getting ready for its intended use.

Indian GAAP (AS 10 Fixed Assets, AS 16 Borrowing Cost and AS 6 Depreciation Accounting)
Fixed assets are recorded at historical costs or revalued amounts. Relevant borrowing costs are capitalised if certain criteria in AS 16 are met. Depreciation is recorded over the asset's useful life. Schedule II (Part C) of the Companies Act 2013 and Banking Regulations prescribe rates of depreciation and these are typically used as the basis for determining useful life.

Recognition and measurement of financial instruments
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
IAS 39 requires all financial instruments to be initially measured at their fair value, which is usually the transaction price. In those cases where the initial fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised to the income statement until the inputs become observable, the transaction matures or is terminated.

At the time of initial recognition, IAS 39 requires all financial assets to be classified as either:

- Held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- Available-for-sale at fair value, with unrealised gains and losses reflected in shareholders' equity and recycled to the income statement when the asset is sold or is impaired
- Held-to-maturity at amortised cost, where there is the intent and the ability to hold them to maturity
- Loans and receivables at amortised cost

At the time of initial recognition, IAS 39 requires all financial liabilities to be classified as either:

- Held at fair value through profit or loss (as a trading instrument or as designated by management), with realised and unrealised gains or losses reflected in profit or loss
- At amortised cost

A financial asset or financial liability, other than one held for trading, can be designated as being held at fair value through profit or loss if it meets the criteria set out below:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis
- Assets or liabilities include embedded derivatives and such derivatives are not recognised separately

The designation of a financial instrument as held at fair value through profit or loss is irrevocable in respect of the financial instruments to which it relates. Subsequent to initial recognition instruments cannot be classified into or out of this category. Changes in the fair value of available-for-sale financial assets resulting from movements in foreign currency exchange rates are included in the income statement as exchange differences. Foreign currency exchange movements for available for sale equity securities is recognised in reserves.

Summary of significant differences between Indian GAAP and IFRS continued

Indian GAAP (AS 13 Investments)
AS 13 requires investments to be categorised as follows:

- Current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss;
- Long term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity

For investments, the Reserve Bank of India (RBI) outlines similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS. Financial liabilities are usually carried at cost. There is no ability to designate instruments at fair value. AS 30 provides guidance on classification criteria and measurement requirements. However, this is not mandatory.

Derivatives
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
IAS 39 requires that all derivatives be recognised on balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.

IAS 39 requires the separation of derivatives embedded in a financial instrument if it is not deemed to be closely related to the economic characteristics of the underlying host instrument.

Indian GAAP
Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement. In the absence of specific guidance, equity options are carried at the lower of cost or market value.

There is no specific guidance on hedge accounting since Accounting Standard 30 is not mandatory. However, requirements of AS 30 with respect to hedge accounting are largely similar to that of IAS 39. For banks, there are guidelines prescribed by RBI on measurement and accounting of IRS and FRA entered onto for hedging purposes.

Impairment of financial assets
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment.

Assets held at amortised cost
If objective evidence of impairment exists, an assessment is made to determine what, if any, impairment loss should be recognised. The impairment loss is the difference between the asset's carrying amount and its estimated recoverable amount. The recoverable amount is determined based on the present value of expected future cash flows, discounted at the instrument's original effective interest rate, either individually or collectively. Individually assessed assets for which there is no objective evidence of impairment are collectively assessed for impairment.

Available-for-sale assets
If objective evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment) is removed from equity and recognised in the income statement.

Market recoveries leading to a reversal of an impairment provision for available-for-sale debt securities are recognised in the income statement. Impairment losses for equity instruments classified as available-for-sale are not permitted to be reversed through profit or loss.

Indian GAAP (AS 13 Investments)
Long term investments are written down when there is a decline in fair value that is deemed to be other than temporary. Impairments may be reversed through the income statement in subsequent periods if the investment rises in value, or the reasons for the impairment no longer exist. In accordance with RBI regulations, in respect of available-for-sale (AFS) investments, impairments are required to be reversed through Investment Reserve Account (equity reserve) if the investment rises in value or the reasons for the impairment no longer exist.

For loans and advances, the RBI regulations additionally require banks to hold provisions in respect of standard assets and for specific country risk exposures.

Derecognition of financial assets
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
A financial asset is derecognised if substantially all the risks and rewards of ownership have been transferred. If substantially all the risks and rewards have not been transferred, the asset will continue to be recognised to the extent of any continuing involvement.

Summary of significant differences between Indian GAAP and IFRS continued

Indian GAAP (RBI Guidelines on Securitisation of Standard Assets)

There is limited guidance on derecognition of financial assets. Securitised financial assets can only be derecognised if the originator has surrendered control over the assets. Control is not surrendered where the securitised assets are not beyond the reach of the creditors of the originator or where the transferee does not have the right to pledge, sell, transfer or exchange the securitised asset for its own benefit, or where there is an option that entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

Liabilities and equity

IFRS (IAS 39 Financial Instruments: Recognition and Measurement)

A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled. Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Indian GAAP

Classification is based on the legal form rather than substance.

Provisions for liabilities and charges

IFRS (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

Indian GAAP (AS 29 Provisions, Contingent Liabilities and Contingent Assets)

Provisions are recognised and measured on a similar basis to IFRS, except that there is no requirement for discounting the provision or liability.

Pension obligations

IFRS (IAS 19 Employee Benefits)

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the post employment benefit obligations. Actuarial gains or losses are recognised in Other Comprehensive Income (retained earnings).

Under the transitional provisions of IFRS 1 First time adoption of International Financial Reporting Standards and in accordance with IAS 19, the Group elected to record all actuarial gains and losses on the pension surplus or deficit in the year in which they occur within the consolidated statement of comprehensive income.

Indian GAAP (AS 15 Employee Benefits)

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds. The expected return on plan assets is based on market expectation for the returns over the entire life of the related obligation. Actuarial gains or losses are recognised immediately in the statement of income.

Share based compensation

IFRS (IFRS 2 Share-based payments)

IFRS 2 Share-based payment requires that all share-based payments are accounted for using a fair value method. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

Summary of significant differences between Indian GAAP and IFRS continued

Indian GAAP
Entities may either follow the intrinsic value method or the fair value method for determining the costs of benefits arising from share based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.

Deferred tax is not recognised as it is not considered to represent a timing difference.

Entities are also permitted the option of recognising the related compensation cost over the service period for the entire award (that is, over the service period of the last separately vesting portion of the award), provided that the amount of compensation cost recognised at any date at least equals the fair value of the vested portion of the award at that date.

Deferred Taxation

IFRS (IAS 12 Income Taxes)
Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions. Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise deferred tax assets.

Indian GAAP (AS 22 Accounting for Taxes on Income)
Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Interest income and expense

IFRS (IAS 18 Revenue)
Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Indian GAAP (AS 9 Revenue Recognition)
In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight line basis over the term of the instrument.

Dividends

IFRS (IAS 10 Events After The Reporting Date)
Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company however is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

Indian GAAP
Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.

Additional Tier 1 (AT1) Capital	Additional Tier 1 Capital consists of instruments issued by the bank and related share premium that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in Common Equity Tier 1/(CET1), and regulatory adjustments required in the calculation of AT1 Capital.
Additional Value Adjustment	See **Prudent valuation adjustment**
Advanced Internal Rating Based (AIRB) approach	The AIRB approach under the **Basel II** framework is used to calculate credit risk capital based on the Group's own estimates of certain parameters.
Advances-to-deposits ratio	The ratio of total loans and advances to customers relative to total customer deposits. A low advances-to-deposits ratio demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of **Collateralised Debt Obligations (CDOs)**, the reference pool may be ABS.
Assets under management (AuM)	Total market value of assets managed by the Group on behalf of clients.
Back-testing	A statistical technique used to monitor and assess the accuracy of a model and how that model would have performed had it been applied in the past.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Basel 2.5	In 2009 the European Commission proposed further changes to **CRD III** to address the lessons of the financial crisis. These changes reflected international developments and follow the agreements reached by the Basel Committee on Banking Supervision (BCBS). They included higher capital requirements for re-securitisations, upgrading disclosure standards for **securitisation** exposures and strengthening **market risk** capital requirements.
Basel III	In December 2010, the BCBS issued the Basel III rules text, which were updated in June 2011, and represents the details of strengthened global regulatory standards on bank capital adequacy **and** liquidity. Basel III was implemented in the UK on 1 January 2014. The new requirements will be phased in and fully implemented by 1 January 2019.
Basis point (bps)	One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent. Used in quoting movements in interest rates or yields on securities.
BIPRU	The PRA's Prudential Sourcebook for Banks, Building Societies and Investment Firms.
Capital Adequacy Directive II (CAD II)	An amendment to Capital Adequacy Directive that gives national regulators the discretion to permit firms to use their own value at risk model for calculating capital requirements subject to certain criteria.
Capital Requirements Directive III (CRD III)	See Basel 2.5.
Capital Requirements Directive IV (CRD IV)	Represents the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) that implement the **Basel III** proposals in Europe.
Capital resources	Sum of **Tier 1** and **Tier 2 capital** after regulatory adjustments.
Collateralised Debt Obligations (CDOs)	Securities issued by a third party which reference **ABS** and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Collateralised Loan Obligation (CLO)	A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).
Collectively assessed loan impairment provisions	Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified at the balance sheet date. Typically Retail clients are assessed on a portfolio basis.
Commercial Mortgage Backed Securities (CMBS)	Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Commercial Paper (CP)	An unsecured promissory note issued to finance short term credit needs. It specifies the face amount paid to investors on the maturity date.

Commercial real estate	Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.
Common Equity Tier 1 (CET1) capital	Common Equity Tier 1 capital consists of the common shares issued by the bank and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.
Constant currency	Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.
Contractual maturity	Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.
Core Tier 1 Capital	Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus non-controlling interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's PRA.
Core Tier 1 Capital ratio	Core Tier 1 capital as a percentage of risk weighted assets.
Cost to income ratio	Represents the proportion of total operating expenses to total operating income.
Counterparty credit risk	The risk that a counterparty will default before satisfying its obligations under a contract.
Country of credit responsibility	Total exposure to a client is aggregated to its parent's predominant risk location regardless of where the exposure is booked.
Country cross-border risk assets	Assets where the main source of repayment or security is derived from a country other than that in which the asset is booked.
Cover ratio	Represents the extent to which **non-performing loans** are covered by **impairment allowances**.
Covered bonds	Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.
Credit Conversion Factor (CCF)	Either prescribed by **BIPRU** or modelled by the bank, an estimate of the amount the Group expects a customer to have down further on a facility limit at the point of default.
Credit Default Swaps (CDSs)	A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.
Credit institutions	An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.
Credit risk mitigation (CRM)	Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees.
Credit risk spread	The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.
Credit valuation adjustments (CVA)	An adjustment to fair value primarily in respect of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the transactions.
Customer deposits	Money deposited by all individuals and companies which are not credit institutions including securities sold under **Repo**. Such funds are recorded as liabilities in the Group's balance sheet under Customer accounts.
Debt restructuring	This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Debt securities	Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.
Debt securities in issue	Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.
Delinquency	A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. **Loans and advances** are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.
Deposits by banks	Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under **Repo**.
Dividend per share	Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.

Early alerts	An early alert is the process for proactive identification and management of counterparty exposures exhibiting signs of weakness of a material nature requiring monitoring, supervision or close attention by management.
Effective tax rate (ETR)	The tax on profits on ordinary activities as a percentage of profit on ordinary activities before taxation.
Expected loss (EL)	The Group's measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on **Probability of Default (PD), Loss Given Default (LGD)** and **Exposure at Default (EAD**), with a one-year time horizon.
Exposure at default (EAD)	The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
Exposures	Credit exposures represent the amount lent to a customer, together with undrawn commitments.
External Credit Assessment Institutions (ECAIs)	For the **Standardised Approach** to credit risk for sovereigns, corporates and institutions, external ratings are used to assign risk-weights. These external ratings must come from PRA approved rating agencies, known as **External Credit Assessment Institutions (ECAI**); namely Moody's, Standard & Poor's and Fitch.
Eurozone	Represents the 17 European Union countries that have adopted the euro as their common currency. The 17 countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.
Financial Conduct Authority (FCA)	The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.
Forbearance	Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial liabilities.
Foundation Internal Ratings Based Approach	A method of calculating credit risk capital requirements using internal **PD** models but with supervisory estimates of **LGD** and conversion factors for the calculation of **EAD**.
Free Deliveries	A transaction in which securities, foreign currencies or commodities have been paid for before receiving them or where securities, foreign currencies or commodities have been delivered before receiving payment for them.
Funded/unfunded exposures	**Exposures** where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding is made but funds have been released / not released.
General Prudential Sourcebook (GENPRU)	The PRA's General Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms.
Global Systemically Important Institutions (G-SII)	The Financial Stability Board established in November 2011 a methodology to identify G-SIIs based on 12 principal indicators. Designation will result in the application of a **CET1** buffer between 1% and 3.5%, to be phased in by 1 January 2019. The list of G-SIIs is re-assessed through annual re-scoring of banks and a triennial review of the methodology. National regulators have discretion to introduce higher charges than the minimum. In **CRD IV** this is implemented via the Global Systemically Important Institutions (G-SII) Buffer (see G-SII Buffer).
Global Systemically Important Institutions (G-SII) buffer	A capital buffer prescribed in the EU under **CRD IV**, to address risks in the financial sector as a whole, or one or more sub-sectors, to be deployed as necessary by each EU member state with a view to mitigate structural macro-prudential risk. In the UK this was transposed in January 2015 and is to be applied to ring-fenced banks and building societies over a certain threshold.
Guaranteed mortgages	Mortgages for which there is a guarantor to provide the lender a certain level of financial security in the event of default of the borrower.
High Quality Liquid Assets (HQLA)	Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on central governments and central banks. The **Basel III** rules require this ratio to be at least 100% and it's expected to apply from 2015.
Impaired loans	Loans where individual identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Impairment allowances	Impairment allowances are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).
Individual liquidity guidance	Guidance given to the Group about the amount, quality and funding profile of liquidity resources that the **PRA** has asked the Group to maintain.
Individually assessed loan impairment provisions	Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically assets within the Corporate and Institutional client segment of the Group are assessed individually.
Innovative Tier 1 Capital	Innovative Tier 1 capital consists of instruments which incorporate certain features, the effect of which is to weaken (but only marginally) the key characteristics of **Tier 1 capital** (that is, fully subordinated, perpetual and non-cumulative). Innovative Tier 1 capital is subject to a limit of 15 per cent of total **Tier 1 capital.**

Internal Ratings Based (IRB) approach	The IRB approach is used to calculate risk weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.
Internal Capital Adequacy Assessment Process (ICAAP)	A requirement on institutions under **Pillar 2** of the **Basel II** framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other mitigants are not available.
Internal Model Approach (IMA)	The approach used to calculate **market risk** capital and **RWA** with an internal market risk model approved by the PRA under the terms of **CRD IV/CRR**. Formerly referred to as **CAD II**.
Interest rate risk (IRR)	Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements.
Investment grade	A **debt security**, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.
Jaws	The rate of income growth less the rate of expense growth, expressed as positive jaws when income growth exceeds expense growth (and vice versa for negative jaws).
Leveraged finance	Loans or other financing agreements provided to companies whose overall level of debt is high in relation to their cash flow (net debt: EBITDA (earnings before interest, tax, depreciation and amortisation)) typically arising from private equity sponsor led acquisitions of the businesses concerned.
Leverage ratio	A ratio introduced under **CRD IV** that compares **Tier 1 capital** to total exposures, including certain exposures held off balance sheet as adjusted by stipulated **credit conversion factors**. Intended to be a simple, non-risk based backstop measure.
Liquidity and credit enhancements	Credit enhancement facilities are used to enhance the creditworthiness of financial obligations and cover losses due to asset default. Two general types of credit enhancement are third-party loan guarantees and self-enhancement through over-collateralisation. Liquidity enhancement makes funds available if required, for other reasons than asset default, e.g. to ensure timely repayment of maturing **commercial paper.**
Liquid asset buffer	These assets include high quality government or central bank securities, certain deposits with central banks and securities issued by designated multilateral development banks to meet the PRA's requirement for liquidity.
Liquid asset ratio	Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.
Liquidity cover ratio (LCR)	A short term liquidity measure that considers a 30 day period of liquidity stress
Loan-to-value ratio	The loan-to-value ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a home loan.
Loans to banks	Amounts loaned to credit institutions including securities bought under **Reverse repo**.
Loans to individuals	Money loaned to individuals rather than institutions. The loans may be for car or home purchases, medical care, home repair, holidays, and other consumer uses.
Loans past due	Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.
Loss given default (LGD)	LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.
Master netting agreement	An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.
Mezzanine capital	Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.
Mortgage Backed Securities (MBS)	Securities that represent interests in a group of mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Mortgage related assets	Assets which are referenced to underlying mortgages.
Medium term notes (MTNs)	Corporate notes continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.
Net asset value per share	Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net exposure	The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.
Net interest income	The difference between interest received on assets and interest paid on liabilities.
Net interest margin	The margin is expressed as net interest income divided by average interest earning assets.
Net interest yield	Interest income divided by average interest earning assets less interest expense divided by average interest bearing liabilities.

Net Stable Funding Ratio (NSFR) The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. It is a longer term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one year time horizon

Non-performing loans A non-performing loan is any loan that is more than 90 days past due or is otherwise individually impaired, other than a loan which is:

- **renegotiated** before 90 days past due, and on which no default in interest payments or loss of principal is expected; or
- **renegotiated** at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

Normalised earnings **Profit attributable to ordinary shareholders** adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period.

Over the counter (OTC) derivatives A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

Personal Debt Rehabilitation Scheme (PDRS) Given the high household debt in Korea, the government encourages consumers to de-leverage debt through PDRS as an alternative to bankruptcy. Under PDRS, the debtor is required to pay down unsecured debts (principal only) over a maximum period of five years. Debtors are automatically discharged from the programme once they have successfully fulfilled their obligations during the five years and the residual outstanding unsecured debts are forgiven and written off by lenders. Upon receipt of PDRS applications, creditors are prohibited from further dunning activities.

Pillar 1 The first Pillar of the three pillars of Basel II/Basel III which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk.

Pillar 2 Pillar 2 requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3 Pillar 3 aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

Pre-provision profit Operating profit before impairment losses and taxation.

Private equity investments Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

Probability of default (PD) PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Profit attributable to ordinary shareholders Profit for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

Prudent Valuation Adjustment (PVA) A deduction from common equity tier 1 capital, to reflect the difference between fair value and prudent value positions, where the application of prudent results in a lower absolute carrying value than recognised in the financial statements.

Renegotiated loans **Loans and advances** are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. Such assets will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset and are defined as forborne loans. In other cases, renegotiation may lead to a new agreement, which would be treated as a new loan.

Repo/Reverse repo A repurchase agreement or repo is a short term funding agreements which allow a borrower to sell a financial asset, such as **ABS** or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Residential mortgage A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a Home loan.

Residential Mortgage Backed Securities (RMBS) Securities that represent interests in a group of **residential mortgages.** Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Return on equity Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity for the reporting period.

Return on risk weighted assets	Operating profit (excluding civil monetary penalty, goodwill impairment and own credit) divided by average total risk weighted assets.
Risk weighted assets	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the **FCA**.
Risks-not-in-VaR (RNIV)	A framework for identifying and quantifying marginal types of market risk that are not captured in the **Value at Risk (VaR)** measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.
Seasoning	The emergence of credit loss patterns in portfolio over time.
Secured (fully and partially)	A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.
Securitisation	Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to a structured entity who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.
Senior debt	Senior debt, frequently issued in the form of senior notes, is debt that takes priority over other unsecured or otherwise more "junior" debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure after subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.
Sovereign exposures	Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures as defined by the European Banking Authority includes only exposures to central governments.
Standardised approach	In relation to credit risk, a method for calculating credit risk capital requirements using **External Credit Assessment Institutions (ECAI)** ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Stressed value at risk	A regulatory market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.
Structured finance /notes	A structured note is an investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.
Sub-prime	Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.
Subordinated liabilities	Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.
Tangible net asset value per share	Ratio of parent shareholders' equity less preference shares classified as equity and goodwill and intangible assets to the number of ordinary shares outstanding at the end of the reporting period.
Tier 1 capital	Tier 1 capital comprises **Core Tier 1 capital** plus innovative Tier 1 securities and preference shares and tax on excess expected losses less material holdings in credit or financial institutions.
Tier 1 capital ratio	**Tier 1 capital** as a percentage of risk weighted assets.
Tier 2 capital	Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provision and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.
Total Loss Absorbing Capacity (TLAC)	A proposal by the Financial Stability Board and not yet finalised for global systemically important institutions to have a sufficient amount of specific types of liabilities which can be used to absorb losses and recapitalise a bank in resolution. These proposals are intended to facilitate an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions, and avoids exposing taxpayers to loss.
UK bank levy	A levy that applies to certain UK banks and the UK operations of foreign banks from 1 January 2011. The levy is payable each year based on a percentage of the chargeable liabilities of the Group as at 31 December.
Value at Risk (VaR)	Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.
Working profit	Operating profit before impairment losses and taxation.
Write downs	After an advance has been identified as impaired and is subject to an **impairment allowance**, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write downs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.

Standard Chartered PLC – Financial calendar

Financial Calendar

Results and dividend announced	5 August 2015
Ex-dividend date Hong Kong	12 August 2015
Ex-dividend date United Kingdom	13 August 2015
Record date for dividend	14 August 2015
Interim ordinary share dividend date	19 October 2015

Copies of this statement are available from:

Investor Relations, Standard Chartered PLC, 1 Basinghall Avenue, London, EC2V 5DD or on our website at http://investors.sc.com

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The following information for the Half Year 2015 Results will be available on our website:

The Video interviews with Bill Winters, Group Chief Executive and Andy Halford, Group Chief Financial Officer

The Analyst presentation in pdf format

The Webcast of the live analyst presentation in London with Q&A

A Podcast of analyst presentation

Images of our Board of directors and senior management are available for the media at http://www.sc.com/en/about-us/our-people/index.html

Information regarding the Group's commitment to Sustainability is available at http://www.sc.com/sustainability

Forward-looking statements

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

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

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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

Geographic presentation of results

The Group operates a number of central booking locations, primarily in the ASEAN and Europe regions. Lending financially booked in these locations may not correspond to the location of the customers or to the country of credit responsibility (as defined on page 31). We have used the following bases for disclosures across this report:

- Within the geographic disclosures in note 2 to the Financial statements (pages 77 to 81), Loans and Advances to Customers are reported based on the location of the customer
- Within the geographic disclosures in the "Risk profile" section (pages 37 to 48) and the 'Capital" section (page 64) of the "Risk and Capital review", Loans and Advances to Customers and Risk Weighted Assets are reported based on the financial booking location

Standard Chartered PLC – Index

By Order of the Board
Annemarie Durbin
Group Company Secretary

Hong Kong, 5 August 2015

As at the date of this announcement, the Board of Directors of Standard Chartered PLC comprises:

Chairman:
Sir John Wilfred Peace

Executive Directors:
Mr William Thomas Winters; Mr Andrew Nigel Halford and Mr Alun Michael Guest Rees

Independent Non-Executive Directors:
Mr Om Prakash Bhatt; Dr Kurt Michael Campbell; Dr Louis Chi-Yan Cheung; Dr Byron Elmer Grote; Dr Han Seung-soo, KBE; Mrs Christine Mary Hodgson; Ms Gay Huey Evans; Mr Naguib Kheraj (Senior Independent Director); Mr Simon Jonathan Lowth; Ms Ruth Markland; Mr Paul David Skinner, CBE; Dr Lars Henrik Thunell and Ms Jasmine Whitbread