
Half Year Report 2015

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



Standard Chartered PLC – Financial highlights

For the six months ended 30 June 2015

Reported results

Adjusted profit before taxation¹

\$1,824m

H1 2014: \$3,273m / H2 2014: \$1,922m

Profit attributable to ordinary shareholders²

\$1,462m

H1 2014: \$2,310m / H2 2014: \$202m

Operating income³

\$8,495m

H1 2014: \$9,274m / H2 2014: \$8,962m

Performance metrics

Normalised earnings per share⁴

48.7 cents

H1 2014: 96.5 cents / H2 2014: 49.7 cents

Normalised return on ordinary shareholders' equity⁴

5.4%

H1 2014: 10.4% / H2 2014: 5.4%

Loans and advances to customers

\$282bn

H1 2014: \$305bn / H2 2014: \$289bn

Customer deposits

\$389bn

H1 2014: \$391bn / H2 2014: \$414bn

Interim dividend per share⁵

14.4 cents

H1 2014: 28.8 cents / H2 2014: 57.2 cents

Capital and liquidity metrics

Total capital ratio

18.2% (CRD IV)

H1 2014: 17.3% (CRD IV) / H2 2014: 16.7% (CRD IV)

Leverage ratio

5.0%

H1 2014: N/A / H2 2014: 4.5%

Tangible net asset value per share

1,586.4 cents

H1 2014: 1,646.8 cents / H2 2014: 1,610.9 cents

Advances-to-deposits ratio

72.6%

H1 2014: 78.1% / H2 2014: 69.7%

CET1 ratio (end point basis)⁴

11.5% (CRD IV)

H1 2014: 10.7% / H2 2014: 10.7%

Liquid asset ratio

31.4%

H1 2014: 30.5% / H2 2014: 32.2%

Key messages

- Management actions focused on increasing end point Common Equity Tier 1 (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 risk-weighted assets (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

¹ Excludes goodwill impairment, own credit adjustment, civil monetary penalty and any net gains on disposal of businesses

² 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)

³ 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)

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)

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 the United Arab Emirates (UAE), Bahrain, Qatar, Lebanon, Jordan, Saudi Arabia, Egypt, Oman, Iraq and Pakistan; South Asia includes India, Bangladesh, Nepal and Sri Lanka; and ASEAN includes Singapore, Malaysia, Indonesia, Brunei, Cambodia, Laos, Philippines, Thailand, Vietnam, Myanmar and Australia.

Standard Chartered PLC

For the six months ended 30 June 2015

Summary of results

	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%

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Profit before taxation¹

-44%

\$1.824 billion

Interim dividend

14.40 cents

“The Group’s newly announced Management Team is committed to building a business that will deliver significantly better returns for our shareholders.”

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

¹ Excludes goodwill impairment, own credit adjustment, civil monetary penalty and any net gains on disposal of businesses



“While we have very real challenges, they can be addressed. Our primary focus is on improving returns, and returns will take primacy over growth.”

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

Standard Chartered PLC – Group Chief Executive's review continued

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

Standard Chartered PLC – Group Chief Executive's review continued

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:

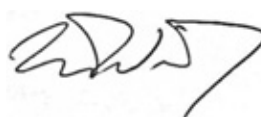
- How do we benchmark against our evolving competitors, and where are we advantaged?
- How should we reshape our portfolios, business mix and geographic presence, given the linkages between them?
- How can we make more of our investment in technology to extend our pockets of outstanding innovation across 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



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

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 three years
- Exiting businesses that are not core to our strategy. Page 18 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 Common Equity Tier 1 (CET1) 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
- 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 and personal loans (CCPL) and other unsecured lending book, increased balances of low yielding assets held for regulatory purposes and from margin compression in our financing businesses
- Operating expenses, excluding regulatory and restructuring 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 (excluding goodwill impairment) 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.

Standard Chartered PLC – Group Chief Financial Officer's review continued

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 income¹	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 taxation¹	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 taxation¹	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 basis⁴	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

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 Income¹	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.

Standard Chartered PLC – Group Chief Financial Officer's review continued

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 Clients 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 months ended 30.06.15 \$million	6 months 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 and restructuring 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 authorities².

² Pursuant to the 21 September 2012 Consent Order agreed to by the New York Department of Financial Services (NYDFS) and Standard Chartered Bank (SCB), a compliance monitor was appointed to conduct a comprehensive review of the Bank Secrecy Act/Anti-Money Laundering and Office of Foreign Assets Control compliance programs, policies and procedures at SCB's New York branch. Pursuant to the 19 August 2014 Consent Order agreed to by the NYDFS and SCB, the compliance monitor's term has been extended for two additional years, through January 2017. Pursuant to the Deferred Prosecution Agreements (DPAs) entered into in 2012 with each of the Department of Justice (DOJ) and with the District Attorney of New York (DANY), in December 2014 the Group agreed to a three-year extension of those DPAs and the retention of a monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme