Greater China & North Asia

Highlights of 2017

Profit before taxation

$1,942m underlying basis

$1,977m statutory basis

Risk-weighted assets

$85bn

Region overview

Greater China & North Asia is the Group’s largest region, representing approximately 40 per cent of the Group’s income, and includes our clients in Hong Kong, Korea, China, Taiwan, Japan and Macau. Of these, Hong Kong remains the Group’s largest market, underpinned by a diversified franchise and deeply rooted presence.

The region is highly interconnected, with China’s economy at its core. Our regional footprint, distinctive proposition and continued investment positions us strongly to capture opportunities as they arise from the continuing opening up of China’s economy.

We are building on the region’s ongoing economic growth, the rising wealth of its population, the increasing sophistication and internationalisation of Chinese businesses and the resulting increased usage of the renminbi internationally.

Strategic priorities

- Leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients
- Capture opportunities arising from China’s opening, including the renminbi, Belt and Road initiative, onshore capital markets and mainland wealth, as well as from our digital capabilities
- Strengthen market position in Hong Kong, and improve Retail Banking performance in China and Korea
- Strong progress in Retail Banking in Hong Kong, adding more than 43,300 new-to-bank Priority clients through alliances such as Asia Miles and our enhanced digital on-boarding platform
- Retail Banking in both China and Korea have seen a significant improvement in performance, driven by cost efficiencies and focused client acquisition

Performance highlights

- Underlying profit before taxation of $1,942 million was 45 per cent higher year-on-year, reflecting income growth and lower impairment
- Underlying income of $5,616 million was 8 per cent higher year-on-year, with all markets and client segments contributing. Retail Banking and Private Banking income both grew 10 per cent year-on-year driven by Wealth Management, improving margins and strong balance sheet growth. Corporate & Institutional Banking income rose 9 per cent year-on-year, due to Cash Management, Corporate Finance and Capital Markets. Commercial Banking income grew 1 per cent year-on-year, driven by Cash Management and Corporate Finance
- Strong balance sheet momentum with loans and advances to customers up 15 per cent year-on-year and customer accounts up 10 per cent
- The difference of $35 million between statutory and underlying profit represents restructuring costs

Loans and advances to customers

| Greater China & North Asia | 44% of Group |

Income split by key markets

<table>
<thead>
<tr>
<th>Hong Kong</th>
<th>Others</th>
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<tbody>
<tr>
<td>60%</td>
<td>40%</td>
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Progress

- Added overseas China desks across the Group’s footprint, helping to grow income and increase the number of Belt and Road initiative projects we were involved in by over 25 per cent

Risk-weighted assets

$85bn
ASEAN & South Asia

Highlights of 2017
Profit before taxation
$492m underlying basis
$350m statutory basis
Risk-weighted assets
$97bn

Region overview
The Group has a long-standing and deep franchise across the ASEAN & South Asia region. We are the only international bank with a presence in all 10 ASEAN countries and we also have meaningful operations in all key South Asian markets. Our two largest markets in the region by income are Singapore and India, where we have had a deep-rooted presence for over 150 years. The region contributes over a quarter of the Group’s income. Within the region, Singapore is home to the majority of our global business leadership and our technology organisation as well as SC Ventures, our innovation hub. The strong underlying economic growth in the ASEAN & South Asia region supports our opportunity to grow and sustainably improve returns. The region is benefiting from rising trade flows, including from the Belt and Road initiative, continued strong investment and a rising middle class which is driving consumption growth and improving digital connectivity.

Strategic priorities
- Optimise geographic portfolio by selectively reshaping sub-scale unprofitable markets and prioritising larger or more profitable markets
- Shift the income mix towards ‘asset-light’ businesses, such as network and flow opportunities in Corporate & Institutional Banking and Commercial Banking, and towards Wealth and Priority clients in Retail Banking
- Deploy differentiating digital capabilities in key markets to improve client experience and productivity

Progress
- Exited Retail Banking in the Philippines and Thailand in 2017, and our stake in Asia Commercial Bank in early 2018. Investments in Singapore, India and Vietnam are showing early positive impact
- The business ‘mix shift’ is starting: 6 per cent year-on-year cash liabilities growth, global subsidiaries up 13 per cent, new Priority clients grew 18 per cent, wealth assets under management up 25 per cent
- Encouraging early signs of digital adoption in key markets, with a faster pace of improving digital sales penetration

Performance highlights
- Underlying profit before taxation of $492 million declined 22 per cent year-on-year due to negative operating leverage impacted by low volatility in Financial Markets and higher costs as we invested for future growth
- Underlying income of $3,833 million fell 5 per cent year-on-year driven by the decisions to exit Retail Banking in Thailand and the Philippines, and from the impact of low volatility on Financial Markets. Retail Banking income, excluding the impact of exits, rose 4 per cent year-on-year, and Commercial Banking income was up 5 per cent year-on-year
- Client activity was positive with 13 per cent growth in loans and advances to customers and 8 per cent growth in customer accounts since December 2016
- The difference of $142 million between statutory and underlying profit represents restructuring costs of $161 million, which are offset by gains on sale of business of $19 million
Africa & Middle East

**Region overview**

We have a deep-rooted heritage of over 150 years in Africa & Middle East and are present in 25 markets, of which the UAE, Nigeria, Pakistan and Kenya are the largest by income. Among international banks we have the broadest presence across sub-Saharan Africa by number of markets. A rich history, deep client relationships and a unique footprint in the region and across key origination centres in Asia, Europe and the Americas enable us to seamlessly support our clients. Africa & Middle East is an important part of global trade and investment corridors, including those on the Belt and Road initiative and we are well placed to facilitate these flows. Demand for capital remains robust, with favourable demographics, urbanisation and infrastructure investment.

While the economic challenges in Africa & Middle East were severe in 2015 and 2016, our business stabilised in 2017 and we remain confident that the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies.

**Strategic priorities**

- De-risk and improve the quality of income, and maintain a stable platform for sustainable growth
- Build income momentum in Corporate & Institutional Banking by providing best-in-class structuring and financing solutions and driving origination through client initiatives
- Continue investing in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets

**Progress**

- The UAE, a key market, has turned around and Commercial Banking in the region has stabilised
- Reinforced our strong market presence through a number of marquee deals from sovereigns, financial institutions and corporate clients
- On track to deliver digital solutions across key countries in Africa during 2018

**Performance highlights**

- Underlying profit before taxation of $642 million rose 49 per cent year-on-year, driven by a reduction in loan impairment
- Despite economic challenges in the region, underlying income of $2,764 million was up 1 per cent year-on-year driven by Africa up 4 per cent while Middle East, North Africa and Pakistan were down 2 per cent. Strong Transaction Banking and Wealth Management performance was offset by the impact of lower volatility in Financial Markets and lower margins in Retail Products
- Loans and advances to customers were up 5 per cent year-on-year and customer accounts grew 6 per cent
- The difference of $33 million between statutory and underlying profit represents restructuring costs

**Highlights of 2017**

**Profit before taxation**

- Underlying basis: $642m
- Statutory basis: $609m

**Risk-weighted assets**

$56bn

**Loans and advances to customers**

| Africa & Middle East | 10% of Group |

**Income split by key markets**

<table>
<thead>
<tr>
<th>UAE</th>
<th>Others</th>
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<tbody>
<tr>
<td>27%</td>
<td>73%</td>
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Region overview

The Group supports clients in Europe & Americas through hubs in London and New York as well as a presence in several European and Latin American markets. We offer our clients rich network and product capabilities through our knowledge of working in and between Asia, Africa and the Middle East. We also have a Private Banking business, focused on serving clients with linkages to our Asia, Africa and Middle East footprint markets.

The region is a major income origination engine for the Group’s Corporate & Institutional Banking business. Clients based in Europe & Americas generate over one-third of Corporate & Institutional Banking income, with two-thirds of that income booked in the Group’s other regions where the service is provided.

The region is home to the Group’s two biggest payment clearing centres and the largest trading room. Over 80 per cent of the region’s income derives from Financial Markets and Transaction Banking products. Given this mix, the business we do across the Group with clients based in Europe & Americas generates above average returns.

Strategic priorities

- Continue to attract new international corporate and financial institutions clients and deepen relationships with existing clients by banking them across more markets in our network
- Enhance capital efficiency, maintain strong risk oversight and further improve the quality of our funding base
- Grow our Private Banking franchise and assets under management in London and Jersey

Progress

- Good progress made in attracting new clients and broadening relationships with existing clients; 79 new multinational corporate clients on-boarded in the region in 2017
- Underlying returns from Corporate & Institutional Banking clients continue to improve along with the improved risk profile
- Assets under management for Private Banking clients grew by 17 per cent in 2017

Performance highlights

- The region returned to profitability with an underlying profit for the year of $71 million, supported by a substantial reduction in loan impairment following earlier management actions. Expense growth reflects the continued investment in people and globally driven investments in systems and product capabilities
- Underlying income of $1,601 million was 4 per cent lower year-on-year impacted by a decline in market volatility in Financial Markets which was only partly offset by an improvement in Cash Management income. Income generated by our clients that is booked in other markets grew by 17 per cent in 2017
- Loans and advances to customers were up 6 per cent year-on-year and customer accounts grew 9 per cent
- The difference of $25 million between statutory and underlying profit represents restructuring costs