



# FY2018 Results and Investor Update

From turnaround to transformation

26 February 2019

Here for good

# Important notice concerning forward-looking statements

## Important Notice

This document contains or incorporates by reference “forward-looking statements” regarding the belief or current expectations of Standard Chartered PLC (the “Company”), the board of the Company (the “Directors”) and other members of its senior management about the strategy, businesses and performance of the Company and its subsidiaries (the “Group”) and the other matters described in this document. Generally, words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or similar expressions are intended to identify forward-looking statements.

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# Contents and Agenda

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## Agenda

<b>UK time</b> SG/HK time	
<hr/>	
<b>8.00 ~ 8.15 am</b> 4.00 ~ 4.15 pm	<b>FY2018 Results</b>
<hr/>	
<b>8.15 ~ 9.00 am</b> 4.15 ~ 5.00 pm	<b>Investor Update</b>
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<b>9.00 ~ 10.00 am</b> 5.00 ~ 6.00 pm	<b>Q&amp;A</b>



FY2018 Results

**Andy Halford**  
Group Chief Financial Officer

# Fundamentally more resilient platform delivering improved performance

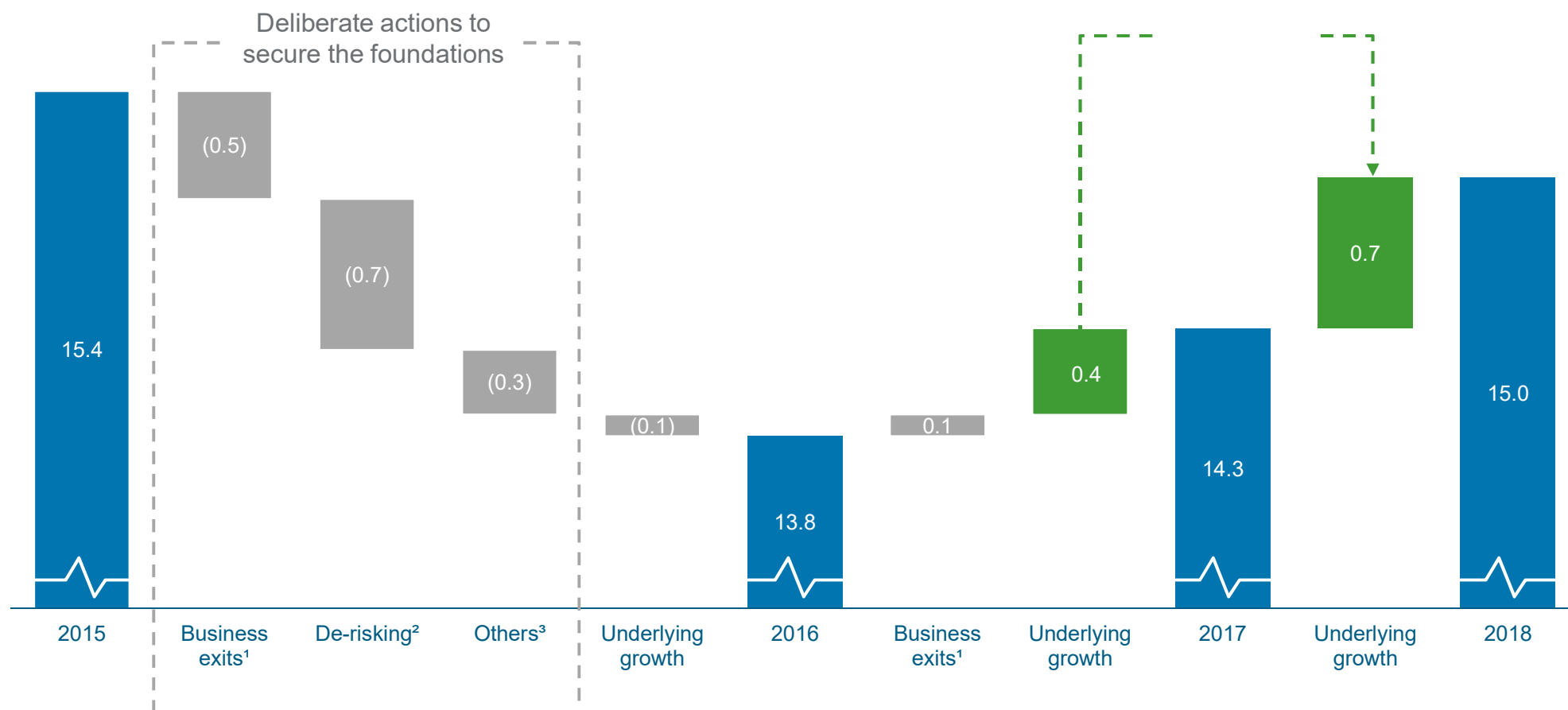
(\$bn)	2017	2018	YoY <sup>1</sup>
<b>Operating income</b>	14.3	<b>15.0</b>	<b>5%</b>
Operating expenses	(9.9)	(10.1)	(2)%
UK bank levy	(0.2)	(0.3)	(47)%
<b>Operating profit before impairment and tax</b>	4.2	<b>4.5</b>	<b>8%</b>
Credit impairment	(1.2)	(0.7)	38%
Other impairment	(0.2)	(0.1)	12%
Profit from associates	0.2	0.2	15%
<b>Underlying profit before tax</b>	3.0	<b>3.9</b>	<b>28%</b>
Provision for regulatory matters	-	(0.9)	nm
Restructuring and other items	(0.6)	(0.4)	31%
<b>Statutory profit before tax</b>	2.4	<b>2.5</b>	<b>6%</b>
<b>Risk-weighted assets</b>	280	<b>258</b>	<b>(8)%</b>
Underlying EPS (cents)	47.2	61.4	
FY dividend per share (cents)	11.0	21.0	
CET1 ratio (%)	13.6	14.2	
Underlying RoE (%)	3.5	4.6	
<b>Underlying RoTE (%)</b>	3.9	<b>5.1</b>	

- Broad-based income momentum
- Continued discipline on costs resulted in positive jaws
- Further significant reduction in credit impairment
- The Group made a \$900m provision in respect of legacy financial crime control matters and FX trading issues
- Restructuring and other items \$409m:
  - \$309m charge related to 2015 priorities (total since: \$3.4bn)
  - \$169m charge related to refreshed 2019-2021 priorities
  - \$69m net gain following redemption of certain securities
- Return optimisation: RWAs \$22bn lower, down 8%
- More resilient platform: CET1 ratio up 60bps to 14.2%
  - Updated CET1 target range from 12-13% to 13-14%
- Improving returns is the primary focus: RoTE up 120bps
- Final dividend per share of 15 cents; up 36% YoY

# Growth returned in FY'17 and continued in FY'18

Income grew 3% in FY'17 and 5% in FY'18

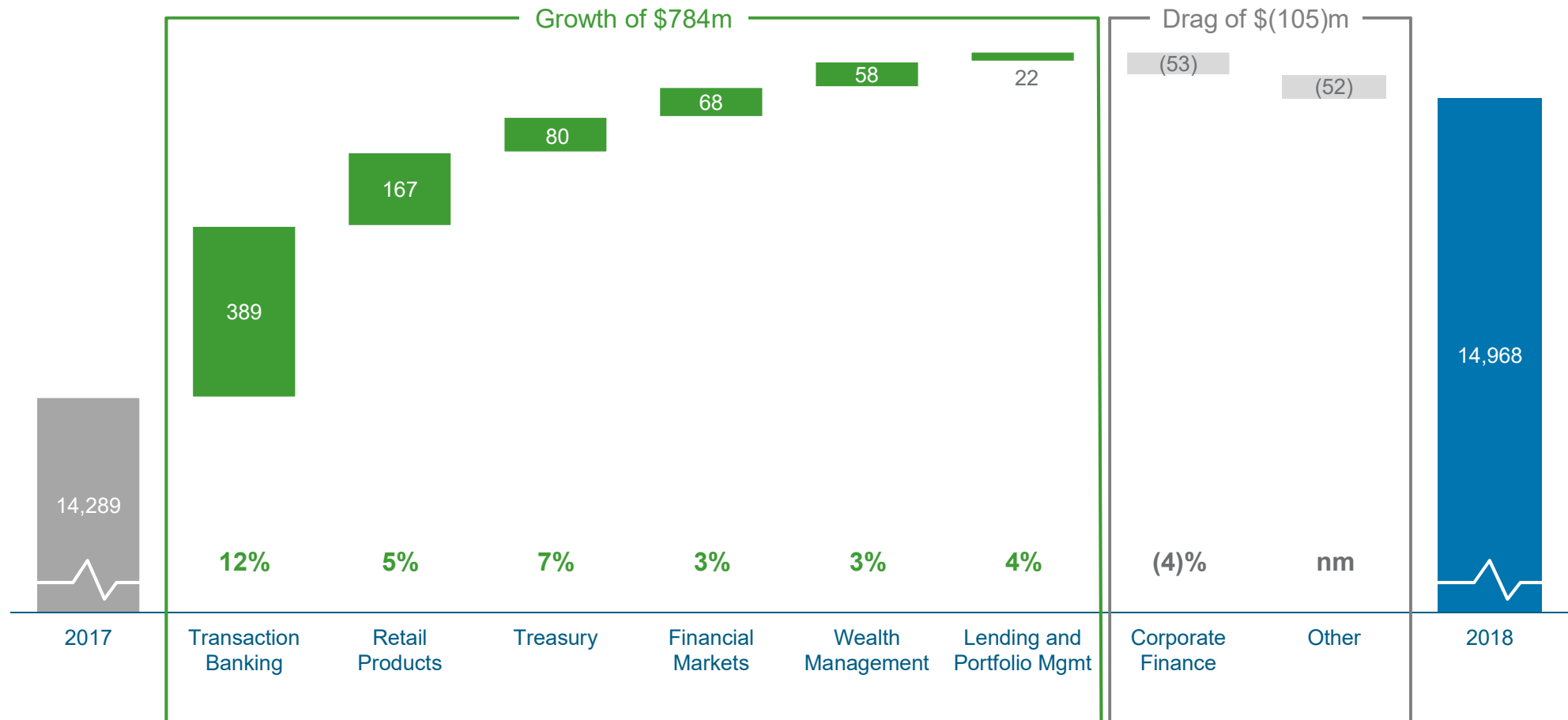
Income (\$bn)



# The improvement in FY'18 was broad-based across most products

Income grew 5% in FY'18 (5% at constant currency)

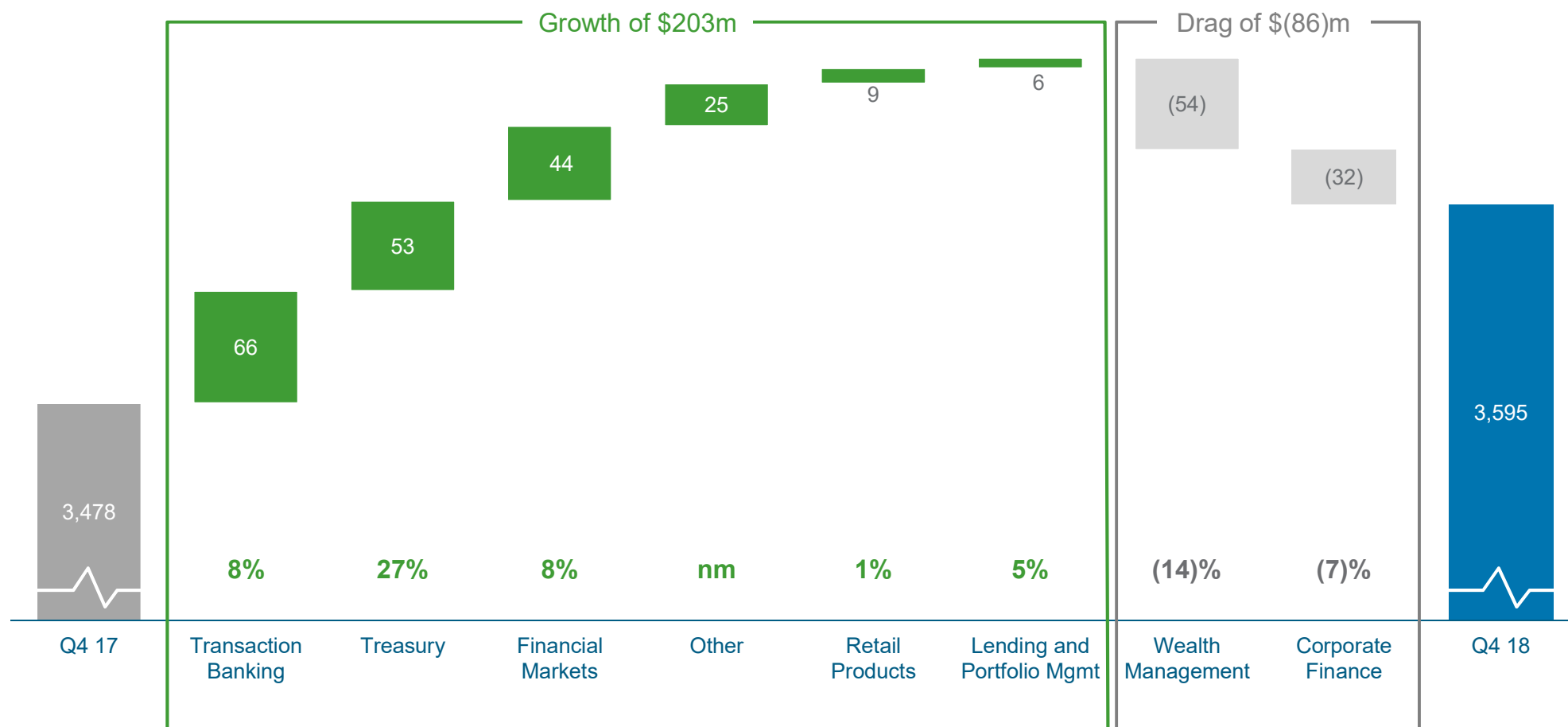
Income (\$m)



# Growth continued in Q4'18 but weaker investor sentiment impacted WM

Q4'18 income was up 3% YoY (6% at constant currency)

Income (\$m)





# All client segments grew YoY

**CIB resilient; RB and PvB impacted by client sentiment in WM that dipped during the year**

<b>CIB</b>		YoY <sup>2</sup>	
Income	\$6.9bn	6%	Q4 = 7%
Costs	\$4.4bn	0%	
PBT	\$2.1bn	64%	
RWA	\$129bn	(12)%	
RoTE <sup>1</sup>	7.4%	299bps	

<b>CB</b>		YoY <sup>2</sup>	
Income	\$1.4bn	4%	Q4 = 1%
Costs	\$0.9bn	(5)%	
PBT	\$0.2bn	(21)%	
RWA	\$30bn	(8)%	
RoTE <sup>1</sup>	3.4%	(98)bps	

**Central & other**  
*Income* \$1.2bn  
*YoY* +3%  
*PBT* \$0.5bn  
*RWA* \$50bn

<b>RB</b>		YoY <sup>2</sup>	
Income	\$5.0bn	4%	Q4 = (3)%
Costs	\$3.7bn	(4)%	
PBT	\$1.0bn	18%	
RWA	\$43bn	(3)%	
RoTE <sup>1</sup>	11.8%	149bps	

<b>PvB</b>		YoY <sup>2</sup>	
Income	\$0.5bn	3%	Q4 = (9)%
Costs	\$0.5bn	(6)%	
PBT	\$(0.0)bn	nm	
RWA	\$6bn	(1)%	
RoTE <sup>1</sup>	(1.0)%	(97)bps	

# Strong performance in GCNA, challenges in AME

AME impacted by challenging economic conditions generally and local currency devaluation

GCNA		YoY <sup>1</sup>	
Income	\$6.2bn	10%	Q4 = 7%
Costs	\$3.8bn	(4)%	
PBT	\$2.4bn	22%	
RWA	\$81bn	(4)%	

AME		YoY <sup>1</sup>	
Income	\$2.6bn	(6)%	Q4 = (8)%
Costs	\$1.8bn	0%	
PBT	\$0.5bn	(17)%	
RWA	\$53bn	(6)%	

**Central & other**  
*Income* \$0.6bn  
*YoY* +19%  
*PBT* \$(0.2)bn  
*RWA* \$(5)bn

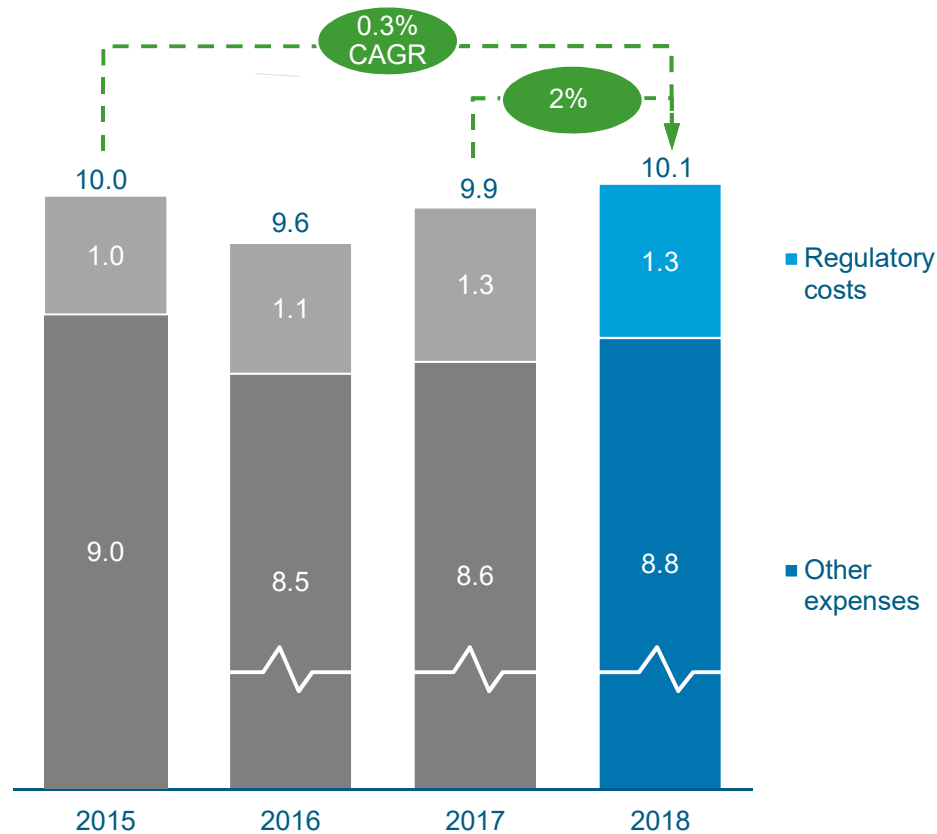
ASA		YoY <sup>1</sup>	
Income	\$4.0bn	4%	Q4 = 1%
Costs	\$2.7bn	(2)%	
PBT	\$1.0bn	97%	
RWA	\$88bn	(9)%	

EA		YoY <sup>1</sup>	
Income	\$1.7bn	4%	Q4 = (1)%
Costs	\$1.5bn	(3)%	
PBT	\$0.2bn	117%	
RWA	\$41bn	(9)%	

# Tight cost control has enabled significant increase in investments

## Substantial incremental costs absorbed since 2015

### Operating expenses<sup>1</sup> (\$bn)

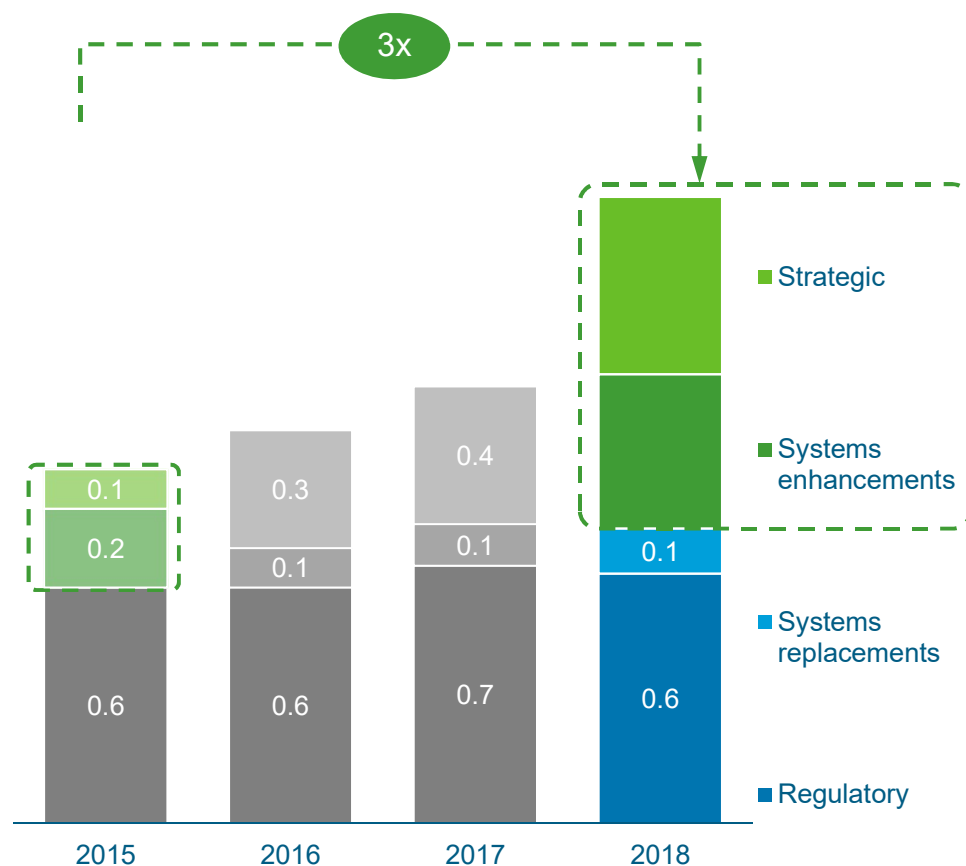


- Tight control of operating expenses
  - Up 2% YoY, broadly flat since 2015
- Substantial incremental costs absorbed since 2015
  - Regulatory costs up ~\$300m
  - P&L impact of investment up ~\$200m
  - Inflation of ~3% p.a. in our markets
- Expenses more evenly phased in 2018
  - H2 costs slightly lower than H1 costs
- Delivered strongly positive jaws in 2018
- Continued cost discipline will enable sustained investment

# Investment into strategic initiatives has trebled, driving better client experience and business performance

## Higher and increasingly strategic investment...

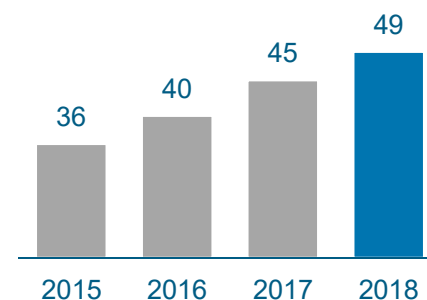
### Cash investment (\$bn)



## ... is starting to deliver tangible results

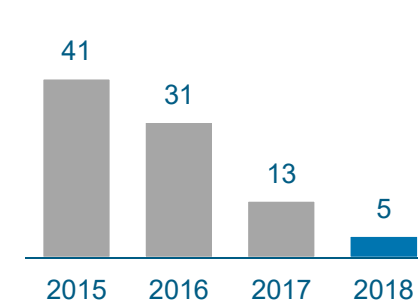
### RB

Online adoption<sup>1</sup> (%)



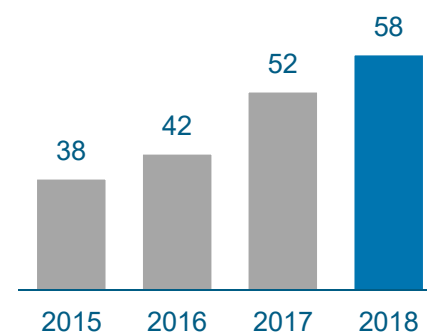
### CIB

Days to on-board a new client



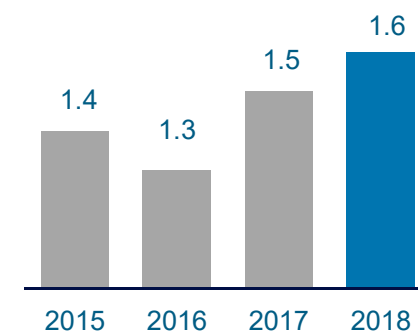
### CB

Active Straight2Bank clients<sup>2</sup> (%)



### PvB

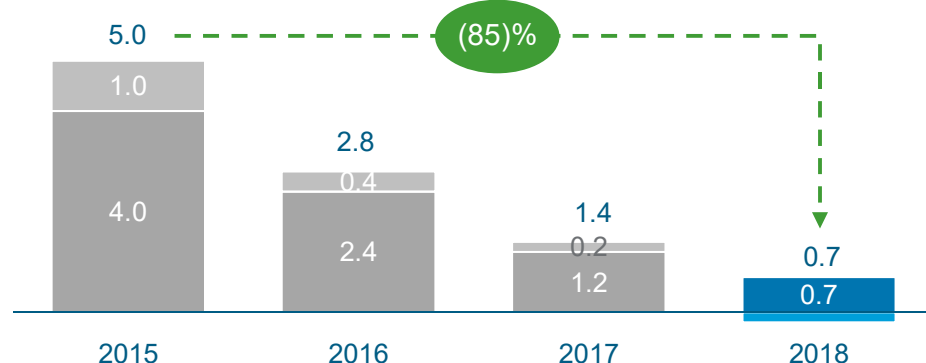
Income per RM (\$m)



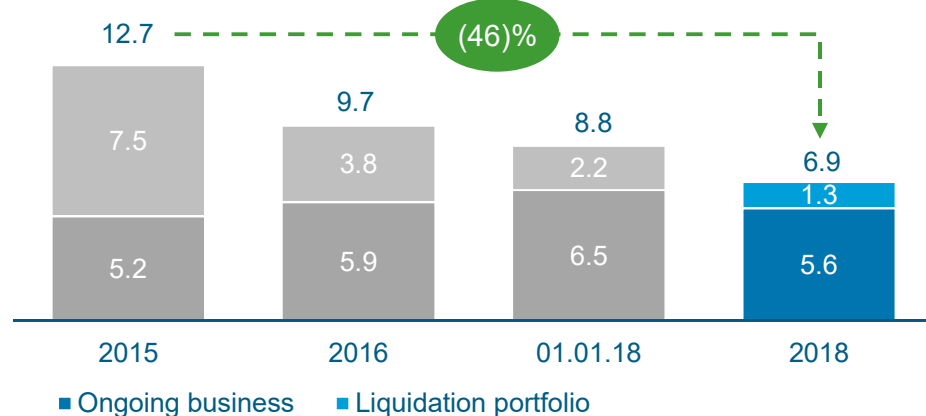
# New originations are higher quality within more granular risk appetite

## Significant improvement in credit quality since 2015...

### Loan / Credit impairment (\$bn)<sup>1</sup>



### NPL / Stage 3 (\$bn)<sup>1</sup>



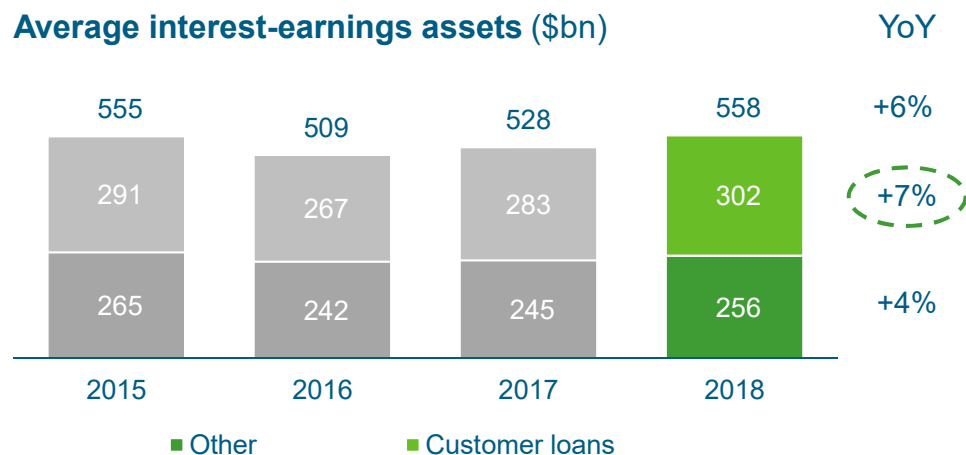
## ...with continued progress in 2018

- Credit quality in the ongoing business improved
  - Continued focus on high-quality new origination
  - Credit impairment of \$0.7bn is 38% lower (24bps loan loss rate<sup>2</sup>)
  - Stage 3 loans down 12% to \$5.7bn (~2.2% of gross loans and advances)
  - Early alerts down 45% and CG12 flat
  - 62% of corporate book is investment grade
  - Cover ratio after collateral stable at 78%
- Substantially completed the run-down of the liquidation portfolio
  - Will in 2019 be reported in underlying performance
- Remain alert to geopolitical uncertainties

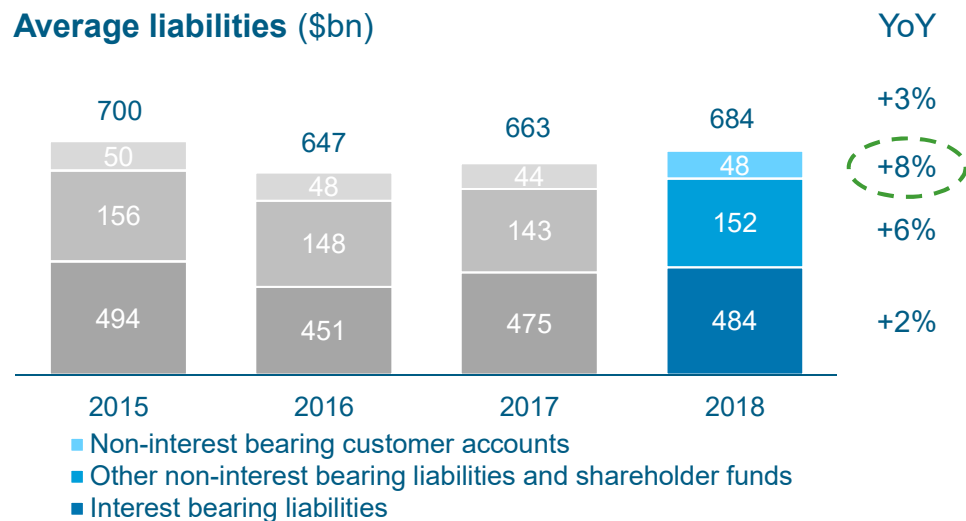
# Asset growth and higher interest rates benefited net interest income

## Broad-based balance sheet growth...

### Average interest-earnings assets (\$bn)



### Average liabilities (\$bn)



## ...with an improving mix

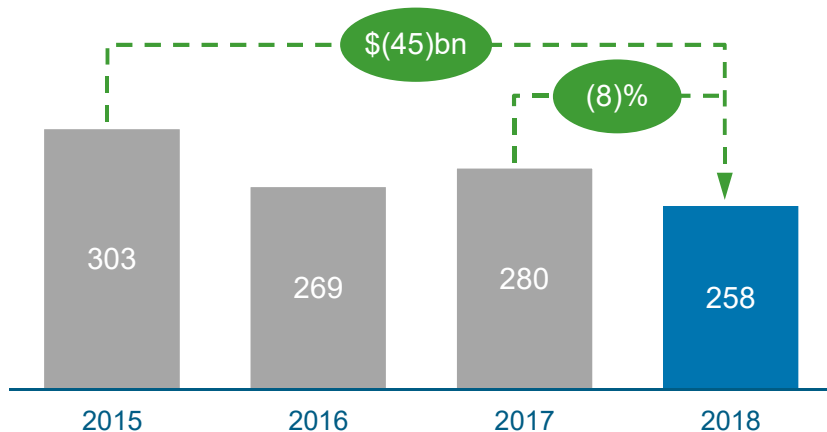
	2017	2018	YoY	
Gross asset yield (bps)	274	309	35bps	↑
Gross liability rate paid (bps)	132	175	43bps	↑
Net interest margin (NIM) (bps)	155	158	3bps	↑
Net interest income (NII) (\$bn)	8.2	8.8	7%	↑

- Higher asset yields and rises in global interest rates
- Interest-earning assets grew faster than interest-bearing liabilities
- Partly offset by increases in rate paid on liabilities
- Benefit of rate rises reduces as hiking cycle matures
- Estimated one-year impact to earnings of a +50bps parallel shift across all yield curves: +\$210m

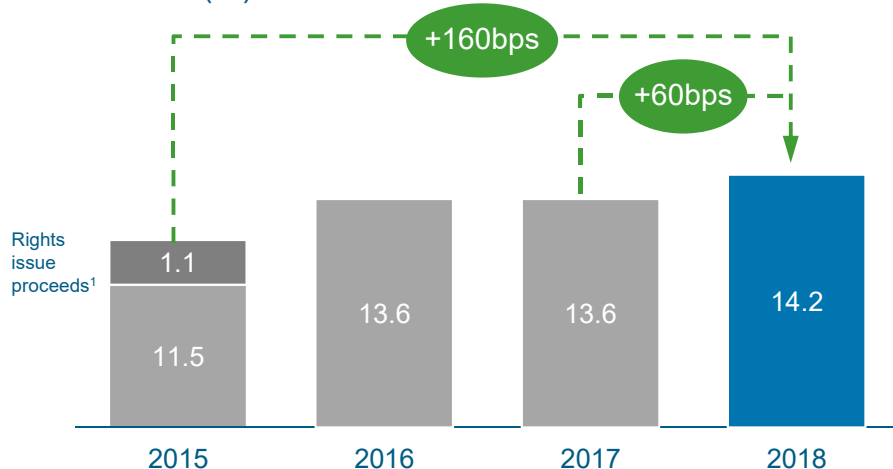
# Stronger capital position enhanced by RWA efficiencies

Improved financial performance and strong capital underpins the Board's decision to increase the final dividend

Risk-weighted assets (\$bn)



CET1 ratio (%)



## Underlying organic equity generated since Nov' 2015

- Absorbed \$3.5bn restructuring charges, \$0.9bn provision for regulatory matters and \$0.6bn on other items
- Paid dividends and AT1 coupons totalling ~\$2bn
- Reduced risk-weighted assets by \$45bn

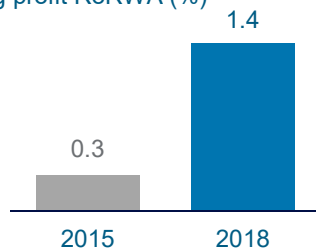
## Further progress in 2018

- Increased underlying profit in the year
- RWAs lower by \$22bn
  - Foreign exchange translation ~\$(5.7)bn
  - Lower credit risk RWA by ~\$(9.4)bn
  - Market risk RWA lower by ~\$(3.9)bn
  - Operation risk RWA lower by ~\$(2.4)bn
- 21 cents full-year dividend equivalent to \$694m
- CET1 ratio up 60bps in 2018 to 14.2%

# Executing the 2015 priorities has delivered positive results; the priority remains driving RoTE sustainably above 10%

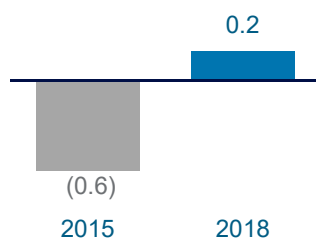
## Restructure CIB for higher returns

Operating profit RoRWA (%)



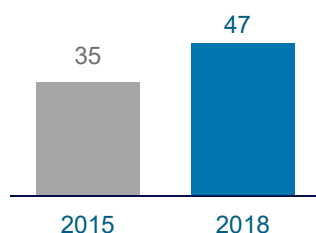
## Overhaul CB

Profit before tax (\$bn)



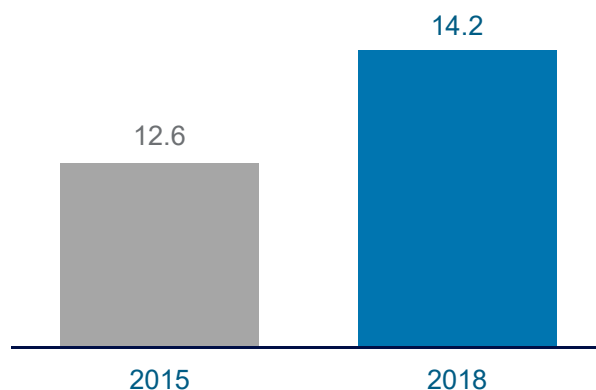
## Accelerate RB transformation

Priority income (%)<sup>1</sup>



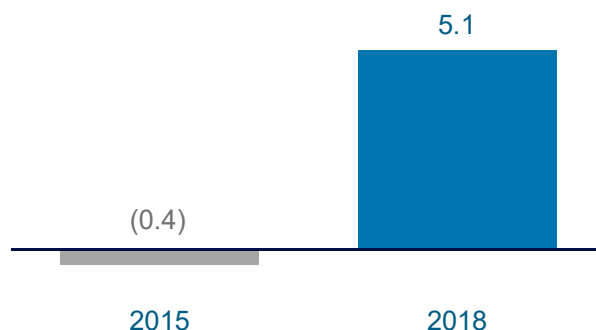
## Strengthen balance sheet

CET1 (%)



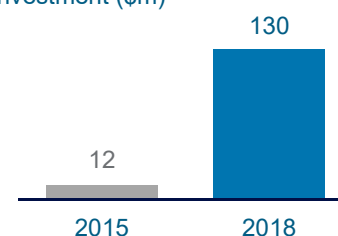
## Improve returns

RoTE (%)



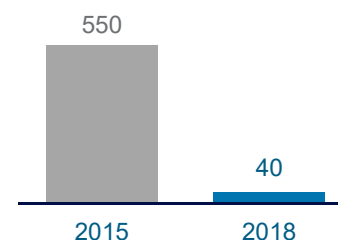
## Invest and innovate in WM

Cash investment (\$m)



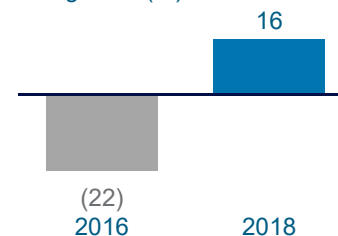
## Invest to grow safely in Africa

Impairment (\$m)



## Leverage opening of China

YoY income growth (%)







Investor Update

**Bill Winters**  
Group Chief Executive

# Key messages

**We have fundamentally overhauled the bank over the last three years**

**We are a global bank with deep local expertise in many of the world's most dynamic markets**

**Our refreshed strategic priorities are to ...**

Accelerate in areas where we have distinctive competitive advantage

Eliminate residual drags on our returns

Maintain discipline on costs and improve our productivity

Disrupt through digital: we are big enough to be relevant to clients and partners  
yet nimble enough to innovate

**... which we expect will deliver RoTE above 10% by 2021**

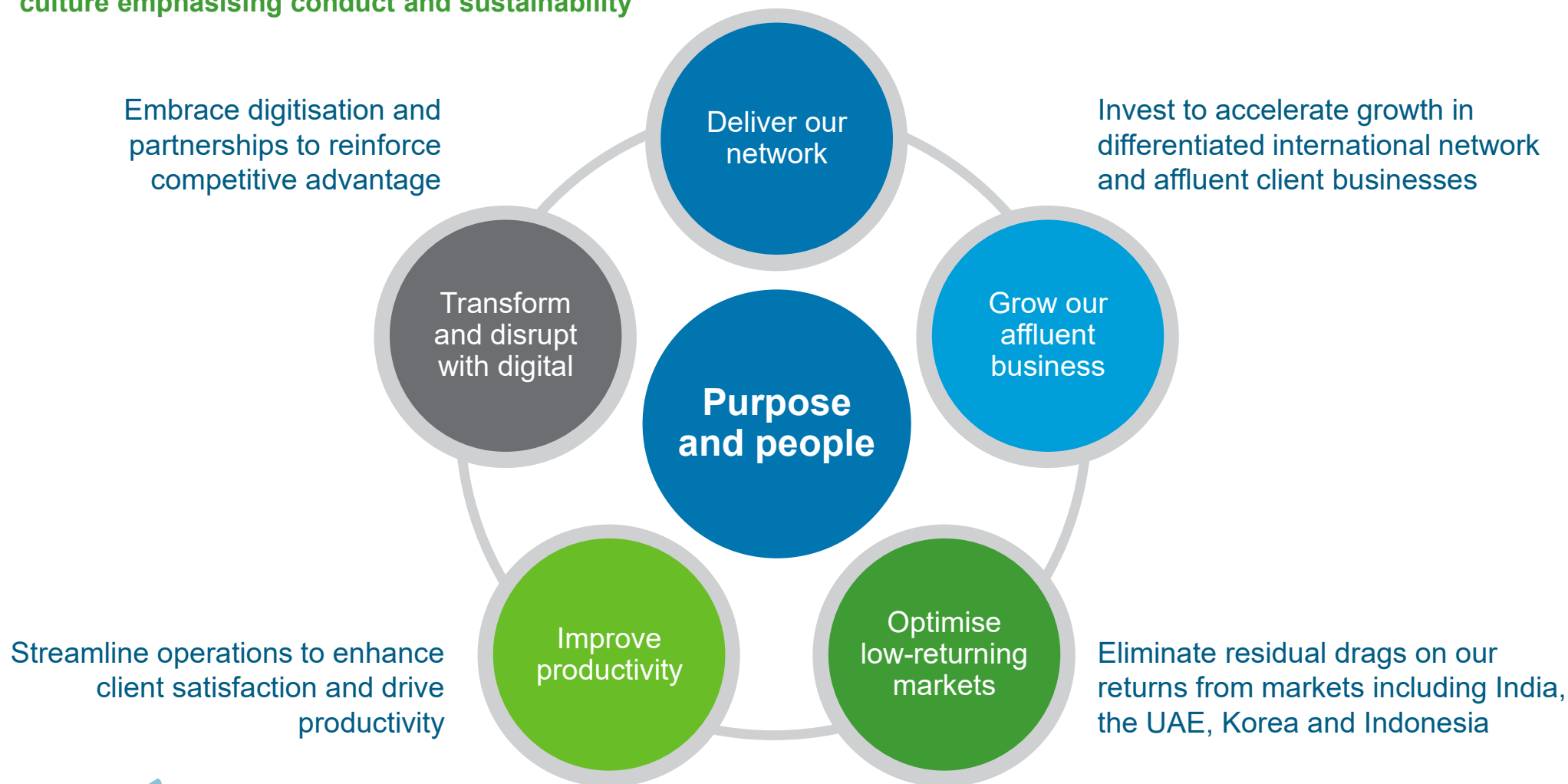
**and produce capital to support a potential doubling of dividends, incremental profitable growth**

**and substantial distributions to shareholders**

# From turnaround to transformation:

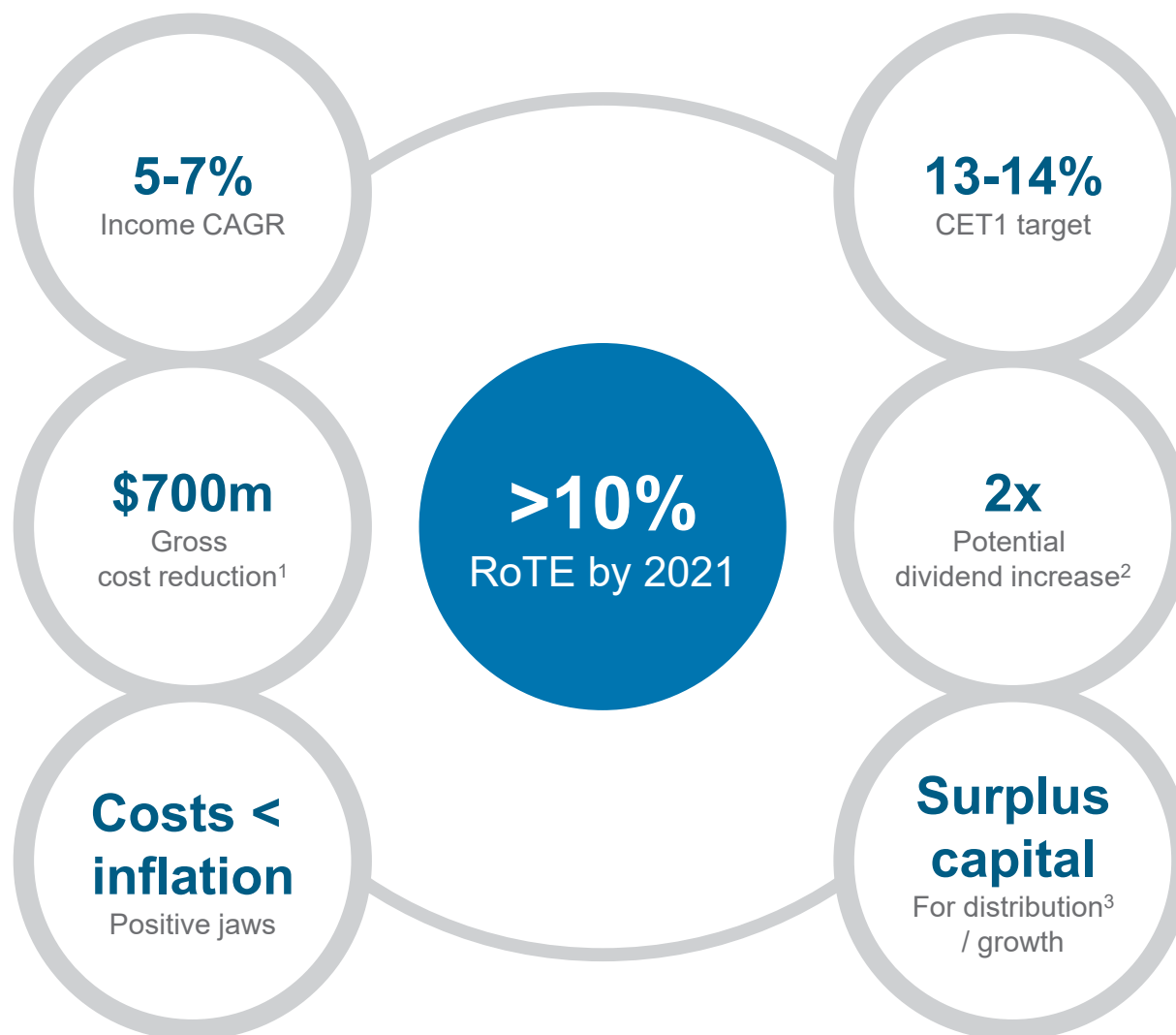
Actions that build on strengthened foundations

**We will execute the following refreshed strategic priorities, underpinned by a performance-orientated and innovative culture emphasising conduct and sustainability**



# Financial framework 2019-2021:

We expect to generate significantly and sustainably higher returns

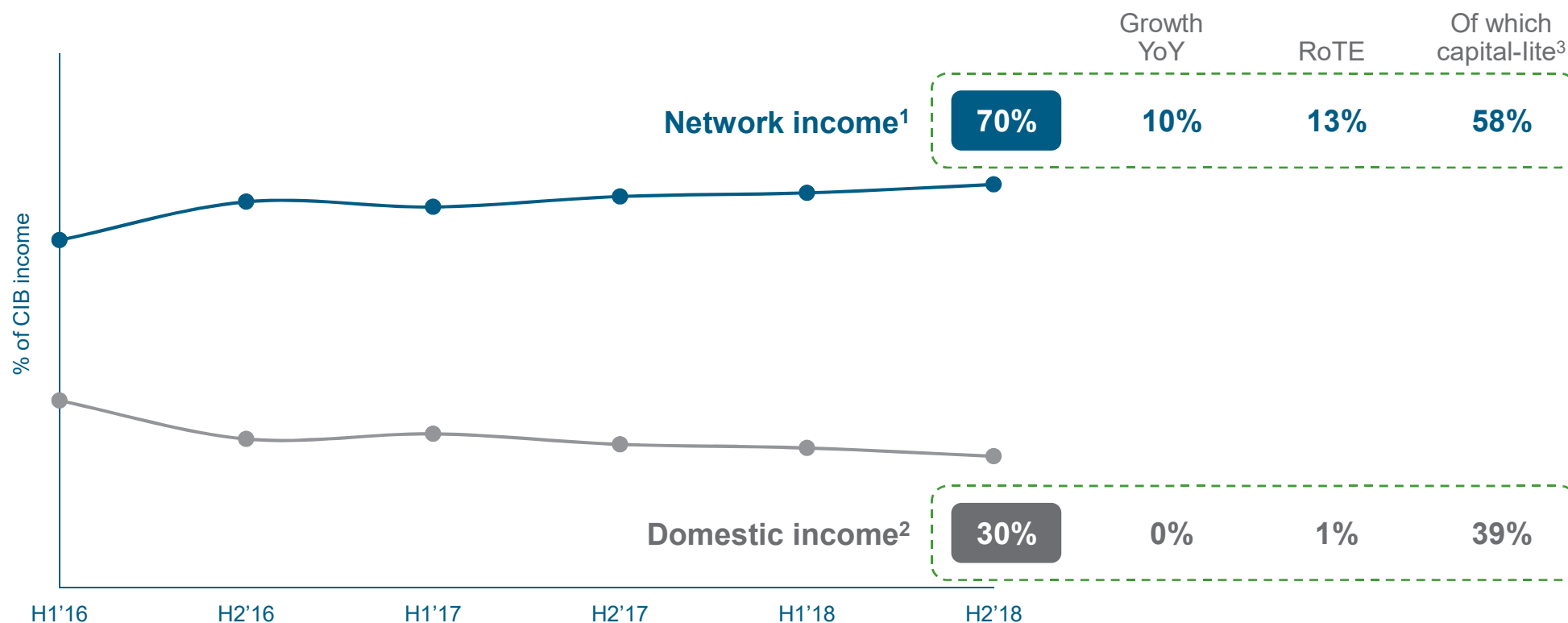


# We have systematically increased our most profitable cross-border 'network' business

Network



**Network income contributes the majority of CIB income and generates sustainably higher returns with a capital-lite profile**



## Client metrics

- ✓ #2 trade bank in Asia, Africa and the Middle East, #3 globally<sup>4</sup>
- ✓ #2 penetration of Asian Large Corporates<sup>5</sup>

# Our network is key to our ability to compete profitably, and is why many clients bank with us

Network

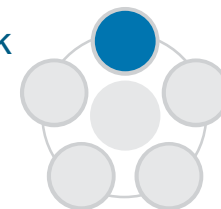


EA and GCNA contribute 2/3 of CIB network income reflecting our focus on OECD clients and China opening<sup>1</sup>

	Contribution to total CIB network income <sup>2</sup>	Growth YoY	RoRWA premium <sup>3</sup> (vs. Domestic)
EA	41%	8%	+290 bps
GCNA	26%	16%	+270 bps
ASA	16%	10%	+160 bps
AME	13%	8%	+230 bps

# More and deeper client relationships are driving network income growth...

Network



**We are actively targeting clients where our network is a key differentiator ...**

## Income multiplier effect from deepening client relationships

- 16x income multiplier<sup>1</sup> for clients with ≥ 11 products or markets
- 4x income multiplier<sup>1</sup> for clients with 6-10 products or markets
- The proportions in both categories have grown since 2015

## Double-digit growth in higher-returning client segments

- Upgraded capabilities for FI clients
- Global network + local depth differentiates us for OECD<sup>2</sup> clients
- Delivering growth with most of our non-OECD<sup>3</sup> corporates ...
- ... with targeted actions to improve returns with selected clients

**... enabling us to deliver strong network income growth**

## CIB network income

(% of network income)	Growth YoY		
	2016	2017	2018
<b>Financial institutions (51%)</b>	<b>(10)%</b>	<b>17%</b>	<b>14%</b>
<b>Corporates (49%)</b>	<b>(3)%</b>	<b>3%</b>	<b>5%</b>
<i>OECD<sup>2</sup> (24%)</i>	<i>(6)%</i>	<i>13%</i>	<i>10%</i>
<i>Non-OECD<sup>3</sup> (25%)</i>	<i>(1)%</i>	<i>(4)%</i>	<i>1%</i>
<b>Network income</b>	<b>(7)%</b>	<b>9%</b>	<b>10%</b>

... with a focus on better quality that is resulting in sustainably higher returns for shareholders

Network



We have focused our efforts on improving the quality of income and liquidity, in this case for a China-based MNC, demonstrating there is significant upside even for our larger clients

		FY'15	FY'18	Delta
Depth of relationship	<b>Coverage</b>	12 products in 2 markets	14 products in 5 markets	
Quality of liquidity	<b>Liabilities</b>	\$286m	\$794m	2.8x
	<i>OPAC<sup>1</sup> (%)</i>	78	83	
Quality of income	<b>Income</b>	\$3.6m	\$14.3m	4.0x
	<i>Capital-lite (%)</i>	62	68	
	<i>Network (%)</i>	79	94	
Capital efficiency	<b>Credit RWA</b>	\$86m	\$132m	1.5x
	<b>RoRWA (%)</b>	4.2	10.8	2.6x



# Our China franchise is expected to double its contribution as we benefit from China's opening<sup>1</sup> ...

Network



China's long-term growth prospects remain robust, despite the possibility of near-term headwinds

✓ 22% increase in China trade volume<sup>2</sup> by 2023

✓ \$75tn wealth assets<sup>3</sup> by 2023, 8% CAGR

✓ 37% contribution to 5yr global GDP growth<sup>4</sup>

We will continue to leverage the Hong Kong – China nexus

## Capital market opening

Expand capabilities and licenses

#1

CIPS clearing bank / Bond Connect provider<sup>5</sup>

## RMB internationalisation

Promote RMB usage; pursue RMB clearing bank status

Best RMB Bank

awarded by The Asset<sup>6</sup>

## Belt & Road Chinese corporates

We are in 45 B&R markets: more than any other bank

\$680m

2018 B&R income (16% YoY growth)

## Offshore mainland wealth

Facilitate cross-border wealth flows

\$11bn

total offshore Wealth AUM

## Greater Bay Area (GBA)

Target key industries and management appointments

\$1.5tn

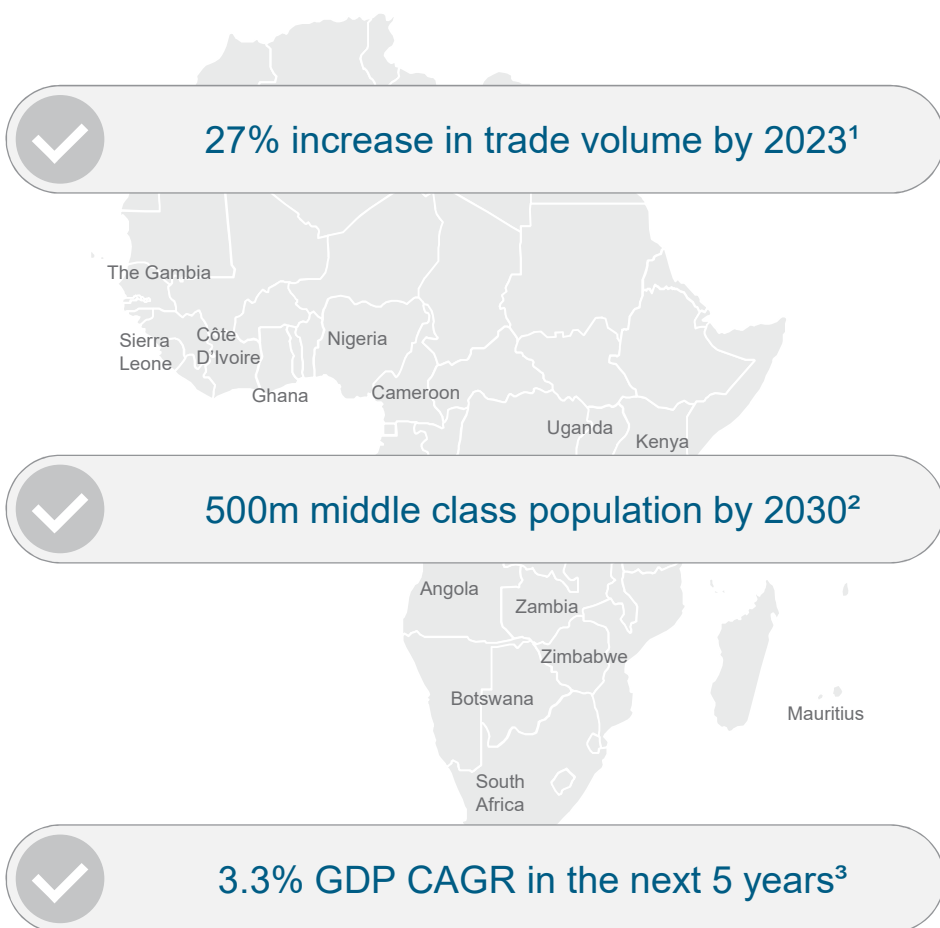
GDP, equivalent to South Korea<sup>7</sup>

# ... and we expect Africa to return to growth as economies improve and our investments deliver

Network



## Supportive macroeconomic outlook and rising importance in global trade



## The breadth of our network across 15 markets creates multiple defensible and disruptive opportunities to grow

### Monetise network

Increase share of wallet globally, leveraging our unique proposition in Africa

62%

of Top clients use our African network<sup>4</sup>

### Deepen OECD client relationships

Cross-sell Africa capabilities to target clients

11%

of OECD network income is booked in Africa

### Focus on inbound Africa corridor

Grow highly profitable inbound flows of FIs, MNCs and B&R clients<sup>5</sup>

11%

YoY growth in CIB network income<sup>6</sup>

### Unify CIB and CB coverage

Streamline CIB and CB coverage along segment priorities in each market

85%

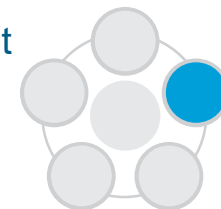
of markets have CIB/CB integrated

### Build scale in RB markets

Roll out cost-efficient digital bank model across nine markets

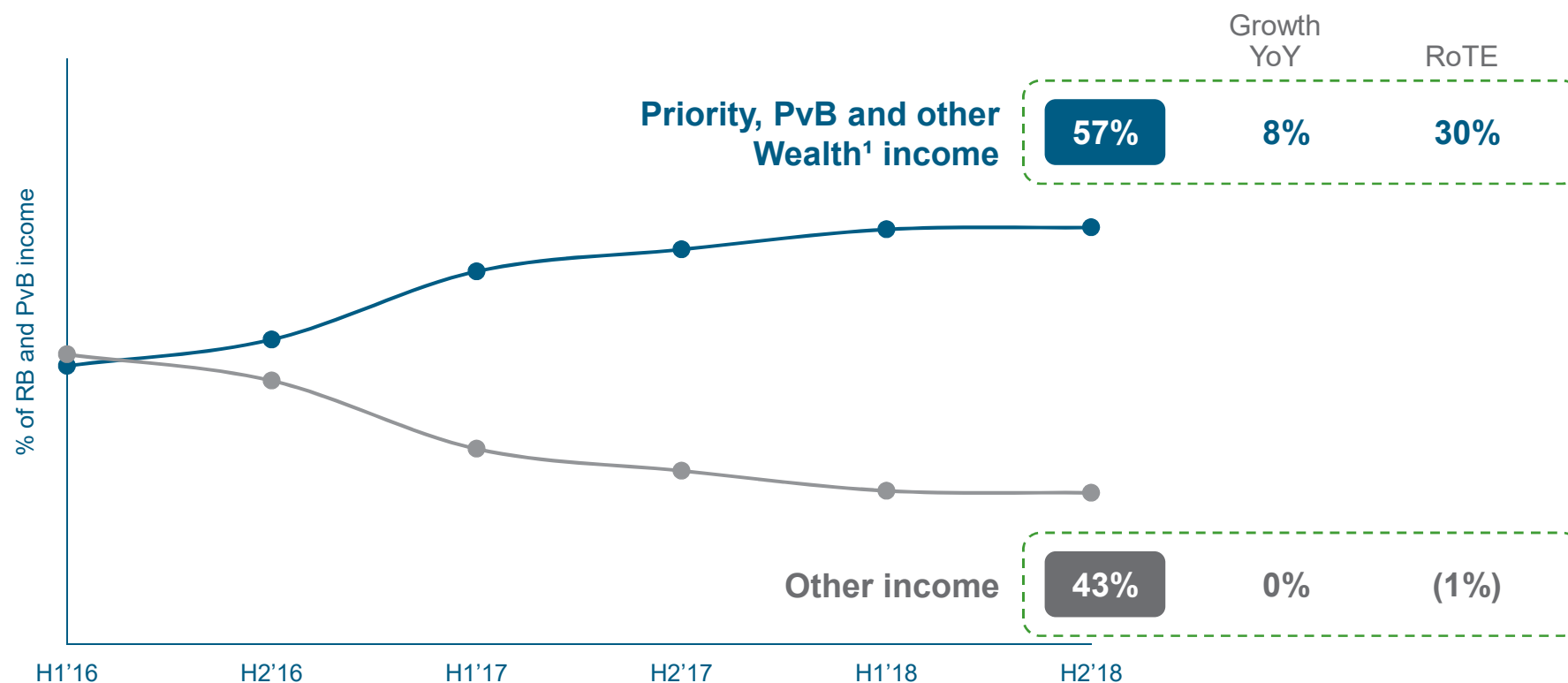
2x

customer base in the medium term



# Our focus on serving affluent customers is working...

The proportion of income from higher-return affluent and wealth activities where our brand resonates strongly has increased significantly

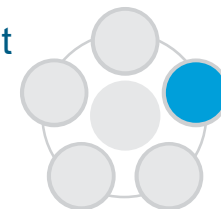


## Client metrics

- ✓ Best-in-class International bank in 7 out of 8 top Priority markets<sup>2</sup>
- ✓ Improved PvB Net Easy Score: 28% (2016: 17%)<sup>3</sup>

# ... and we are targeting continued growth through increasingly differentiated offerings

Affluent



**Wealth and the affluent segment have a higher cost to serve but deliver premium returns...**

**10x** revenue per Priority client  
(vs. Personal)

**89%** Priority income from Wealth/Deposits  
(83% in FY'15)

**... and we have generated significant growth**

**8%** CAGR in WM income since 2009  
~2/3 of which is less sensitive to market volatility

**17%** CAGR in new-to-bank Priority clients  
(FY'15–FY'18)<sup>1</sup>

**We are targeting growth with superior wealth propositions...**



**Health and wealth ecosystem**  
Targeting affluent 'silver' segment



**Personalised investment ideas**  
Leveraging data, analytics



**Open architecture platform**  
For Equities, FX and Fixed Income trading

**... and an increasingly personalised client experience powered by analytics**

**2x**

**increase in product take-up rate**  
through advanced predictive analytics

**3x**

**increase in click-through rates**  
with personalised contextual analytics

**20%**

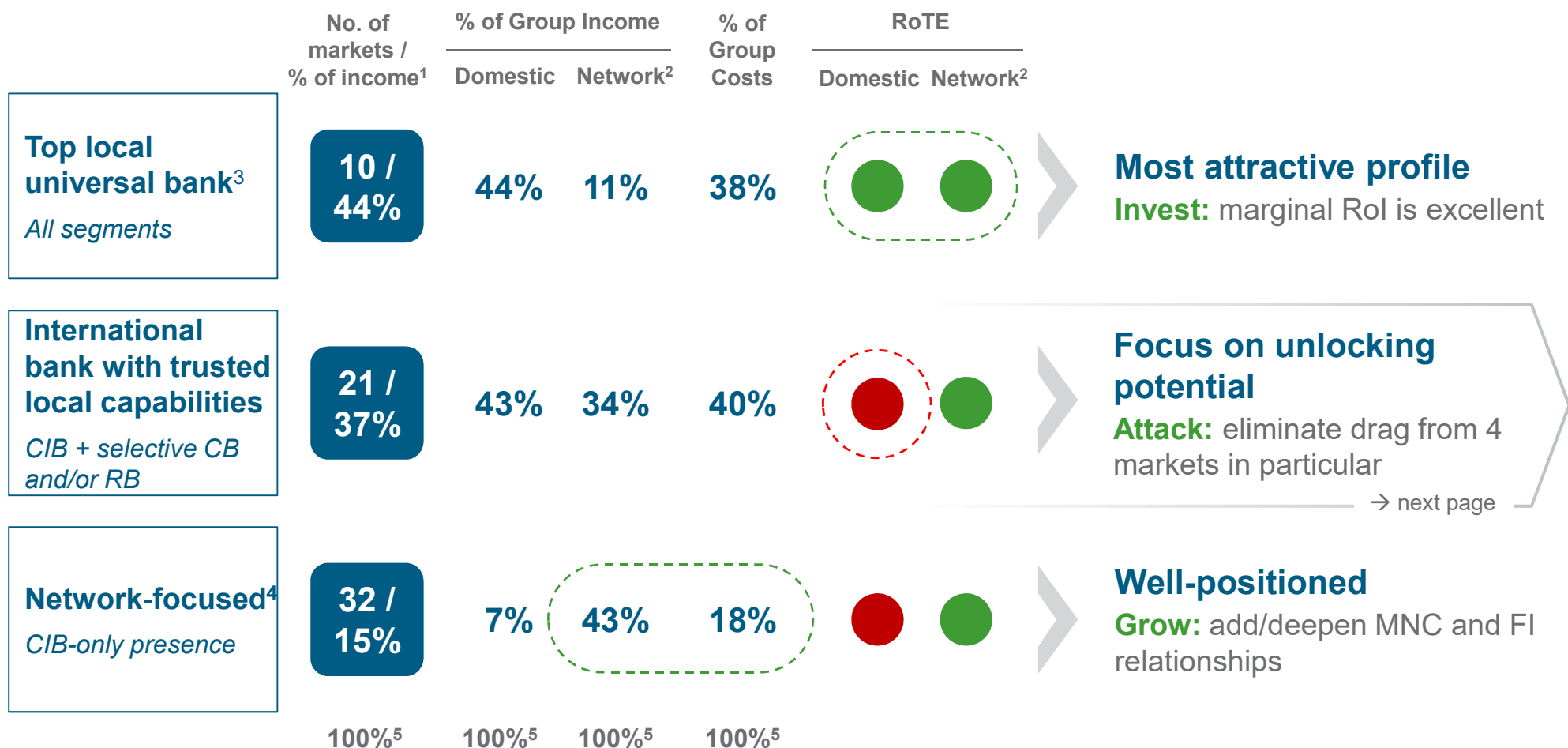
**growth in client spend**  
through real-time, geo-location targeting

# We are determined to eliminate the drag from markets that currently suppress the Group's RoTE

Optimise



## We operate three distinct market presence models to serve clients in our footprint



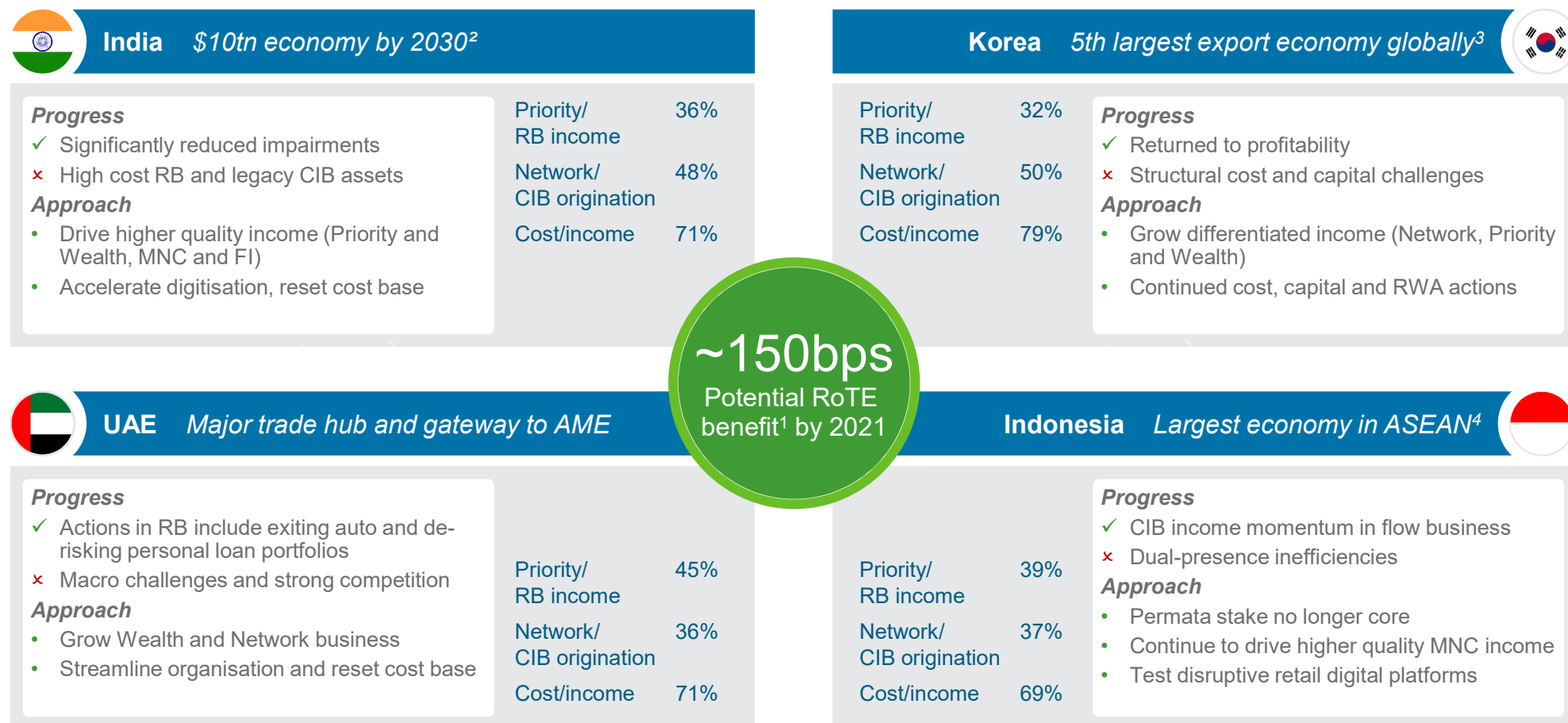
→ next page

# Our businesses in four large markets have each shown progress since 2015 but must improve returns

Optimise



Significant value upside potential in four large markets representing 27% of RWAs, 21% of costs and 13% of PBT



# We are realigning around customer journeys to more effectively embed ourselves with clients and partners

Productivity



Driving operational improvements to scale revenue through improved client acquisition, conversion and retention with enhanced efficiency

## Aspirations

Embed ourselves in the clients' journey



Be the partner of choice for clients and platforms



## Progress to-date

### Corporate & Institutional Banking

(2018 volumes processed vs 2015 with the same resources)

FX

2.3x

Cash

1.6x

Trade

1.4x

### Retail Banking

Priority income / RM<sup>1</sup>

1.4x

vs 2015

Digital sales<sup>2</sup>

+44%

YoY

Online equity trading

1.5x

increase in monthly revenue

## Core benefits



Improving client satisfaction with better client centricity



“Plug-and-play” to scale with partnerships and platforms



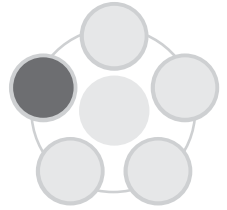
Increasing revenues from targeted client acquisition, conversion and retention



Improving efficiency to multiply revenues with same (or fewer) resources

# We have actively positioned ourselves to develop and scale innovative new business models

Digital



## We are investing now to create optionality for the future

- Digitisation of the core is essential, but is not the only proxy for innovation
- Substantial shareholder value delta will come from creating new business models

## We are strongly positioned to do this

- Excellent credentials in digital and innovation
  - Best Global Consumer Digital Bank for six consecutive years<sup>1</sup>
- Big enough to be relevant in 60 of the world's most dynamic markets...
  - ...yet nimble enough to innovate alongside clients, platforms and FinTechs
  - ...making us a highly desirable partner

## Deploying our own solutions

Digital bank live in four African markets

Digital platform for India SMEs

Developing virtual bank in HK

Ant Financial – blockchain cross-border remittance

Linklogis – blockchain supply chain financing

Plug-and-play banking solution for consumer platforms

500 FinTech engagements in 2018 with over 50 PoCs<sup>2</sup>

Powering new ventures in partnership with FinTechs

Innovation Investment Fund (recent follow-on investment in Paxata)

**Working with partners**

**Powering FinTechs**



# We enhance our strong client relationships with cutting-edge tools

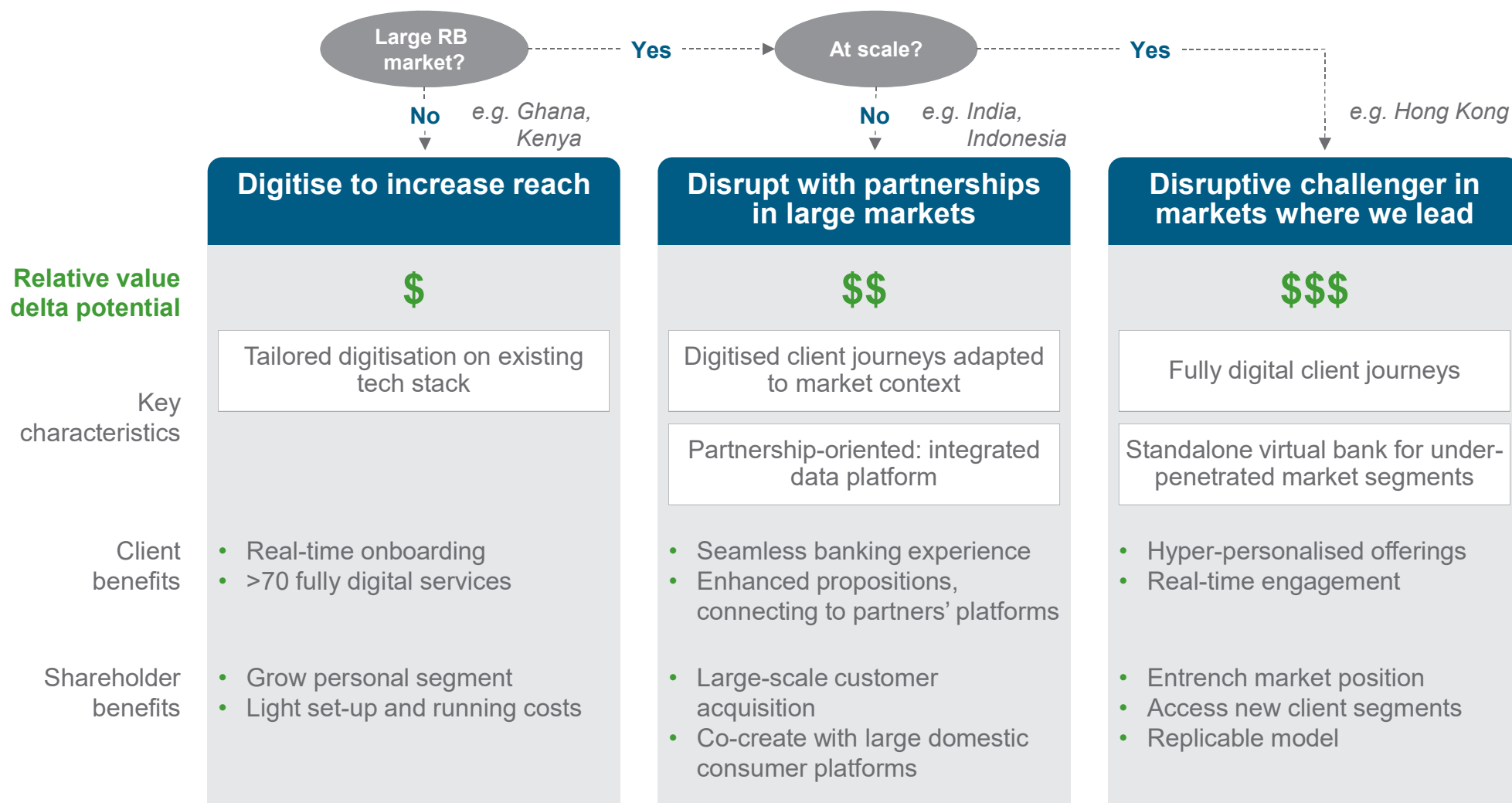
Digital



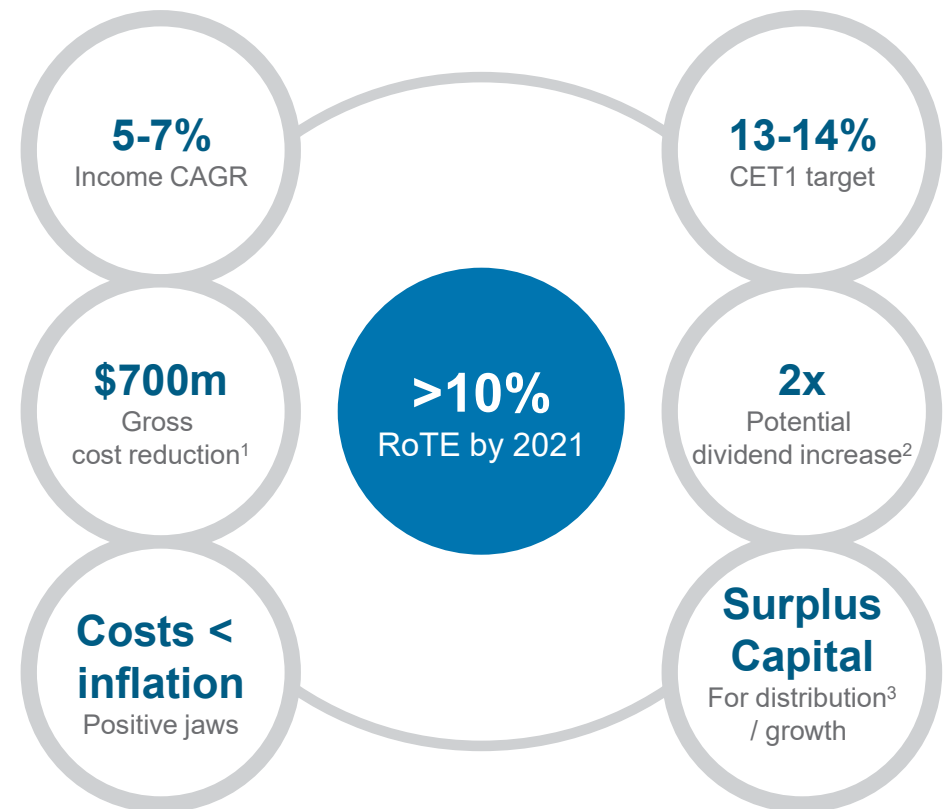
	Blockchain / Distributed Ledger Technology	Artificial Intelligence and Machine Learning	Platforms / Ecosystems
Selected examples	<p>Industry's first blockchain-based smart guarantees in trade finance</p> <p>Cross-border wallet remittance with Ant Financial</p>	<p>Financial crime surveillance tools through large dataset analytics</p> <p>Automated client onboarding, credit documentation and KYC processes</p>	<p>Digital "Trade Information Network", part of industry consortium</p> <p>Real-time API solution for NTUC Income e-claims process</p>
Client benefits	<ul style="list-style-type: none"> <li>Innovative solutions for evolving client needs</li> </ul>	<ul style="list-style-type: none"> <li>Improved turnaround time</li> <li>Scalable and personalised services</li> </ul>	<ul style="list-style-type: none"> <li>Connecting to new ecosystems</li> <li>Provide third party services with straight-through platforms</li> </ul>
Shareholder benefits	<ul style="list-style-type: none"> <li>New differentiation</li> <li>Improved operational effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Future-proofing with new capabilities</li> <li>Improved cost efficiency and risk management</li> </ul>	<ul style="list-style-type: none"> <li>More efficient delivery of our global network</li> <li>Co-create and leverage partner capabilities</li> </ul>

# Digital investments are shaping our retail offerings in each of our markets

Digital



# We are targeting significantly and sustainably higher returns for shareholders



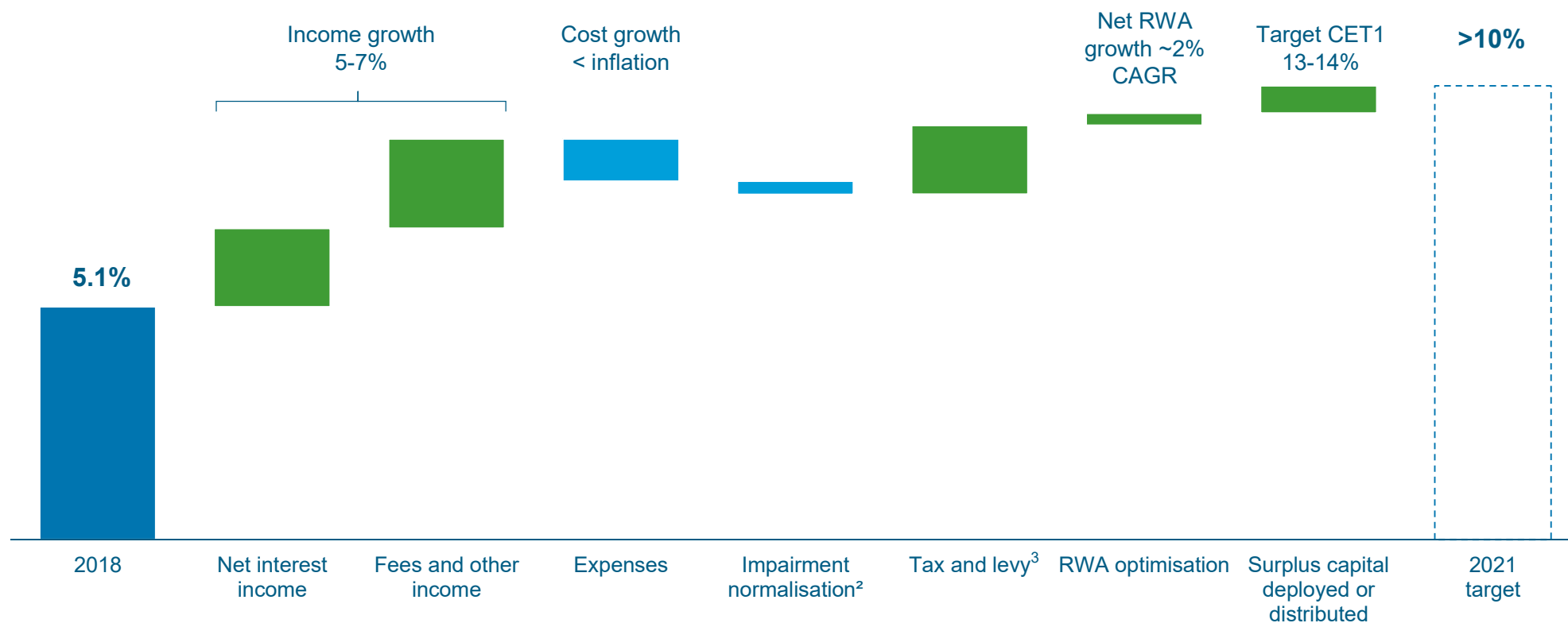


Investor Update

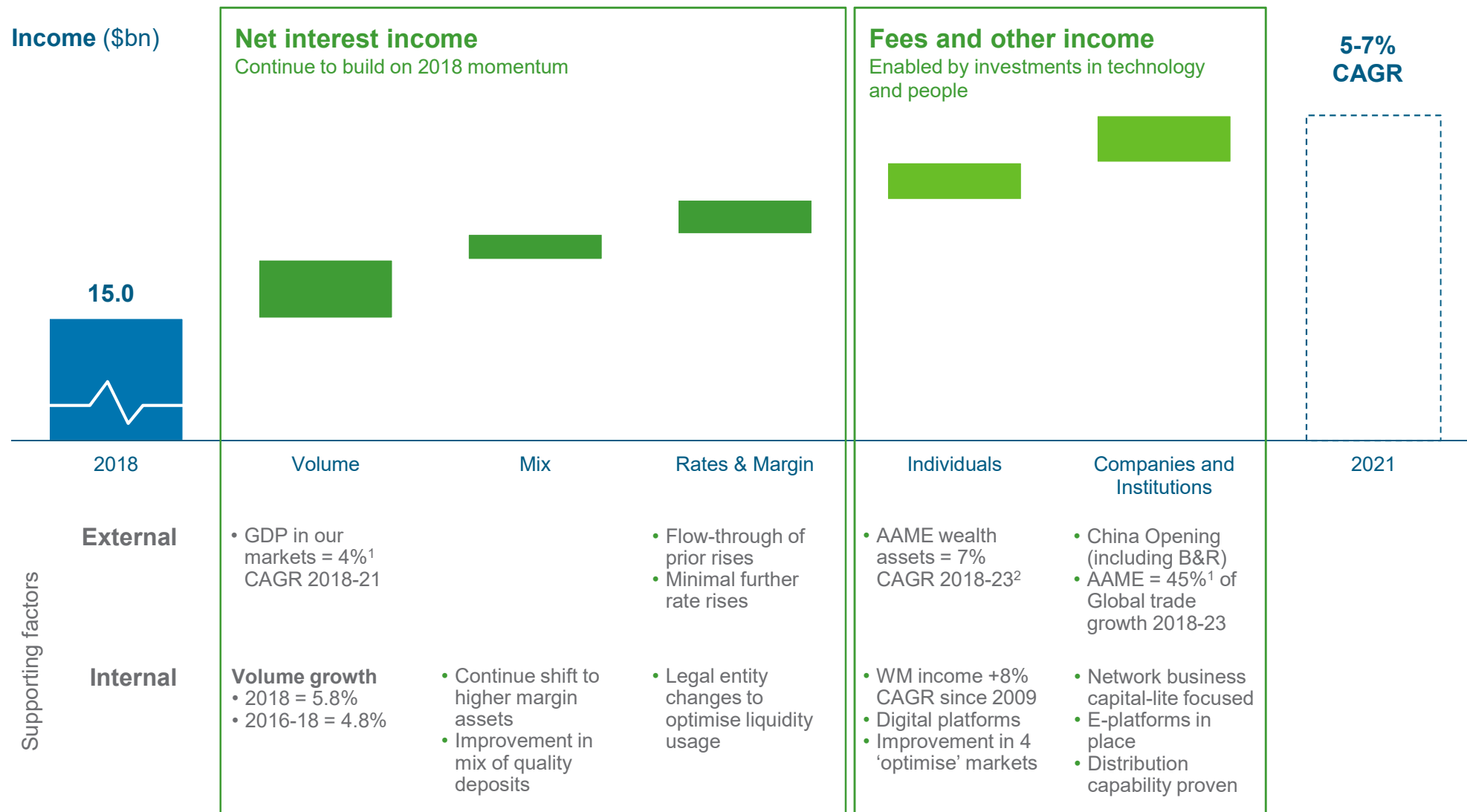
**Andy Halford**  
Group Chief Financial Officer

# Our actions and priorities are expected to deliver an RoTE above 10% by 2021

## Illustrative path to above 10% RoTE by FY'21<sup>1</sup>



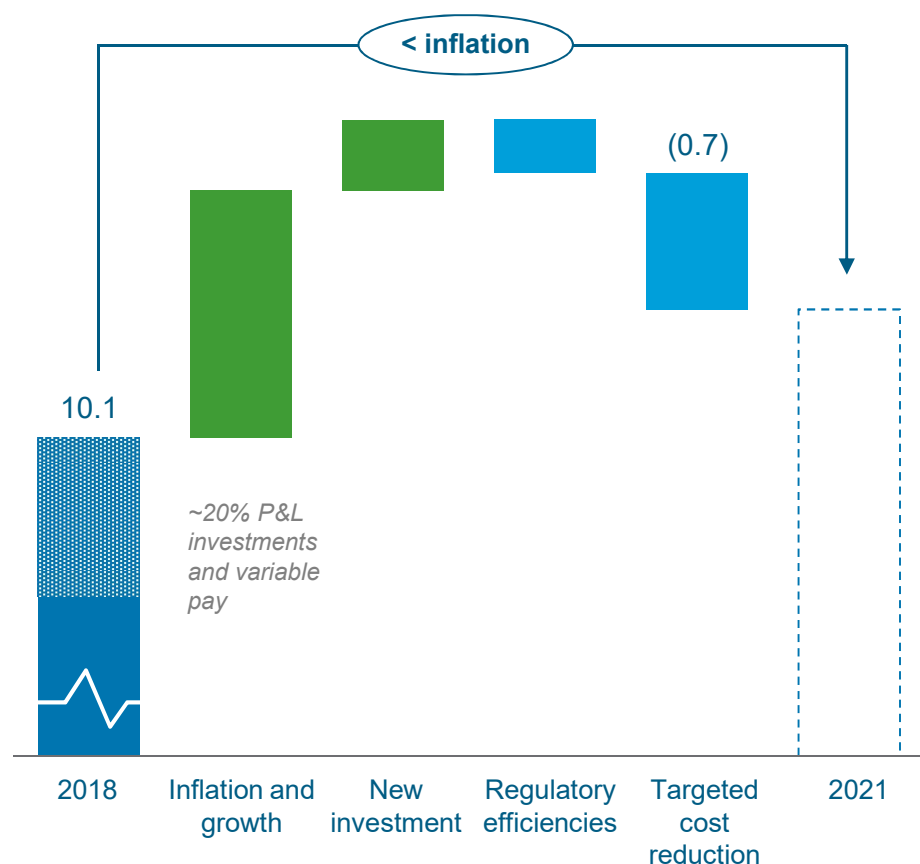
# We are targeting sustainable income growth by focusing on our differentiated strengths ...



# ... and continued tight discipline on costs is expected to deliver strong operating leverage

## Targeting productivity improvements to enable investments while keeping cost growth below the rate of inflation

Operating expenses excluding the UK bank levy<sup>1</sup> (\$bn)

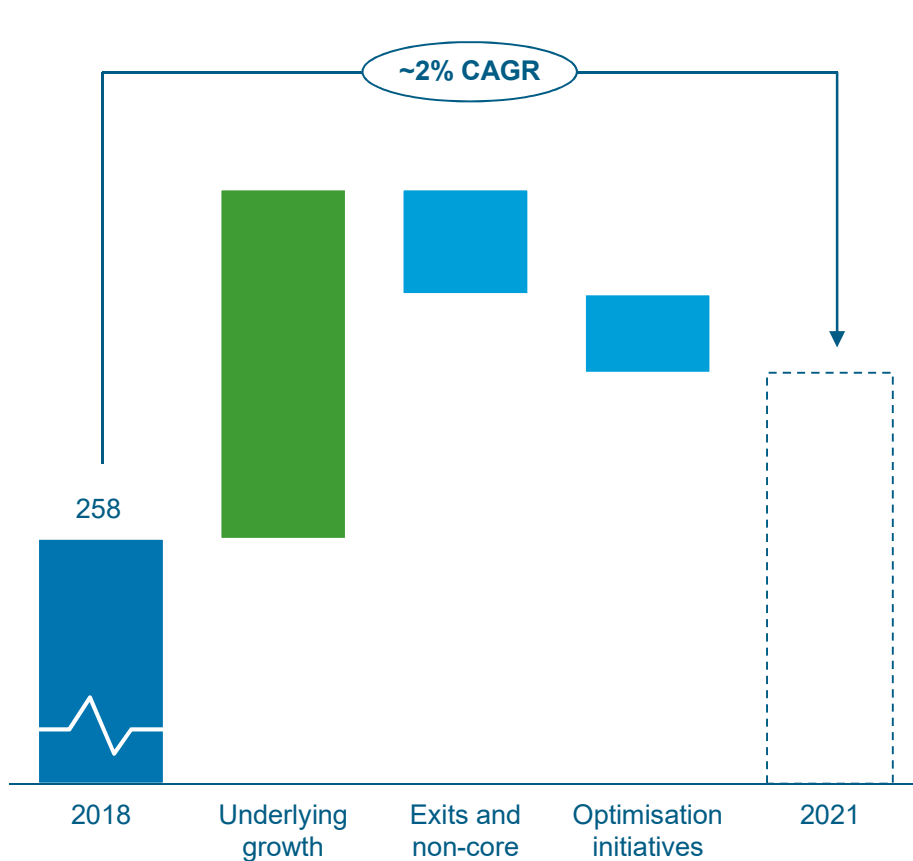


- Targeted aggregate cost saves of ~\$700m
  - Operational processes streamlined for effective client delivery
  - Reduce FTE concentration in high-cost hub locations
  - Global third party cost overhaul
- Enabling investments to be maintained at elevated rate
  - Increasing proportion into strategic initiatives
  - Drive digital transformation
  - Migrate CIB and CB to non-legacy systems
  - Accelerate end-to-end RB digitisation
- Anticipate lower regulatory cost run-rate with multiple major programmes (eg IFRS9) now implemented
- Expect restructuring charges of a further ~\$500m

# We will continue to focus on optimising RWA efficiency ...

## Headline RWA growth will benefit from divestments and ongoing optimisation initiatives

Risk-weighted assets (\$bn)



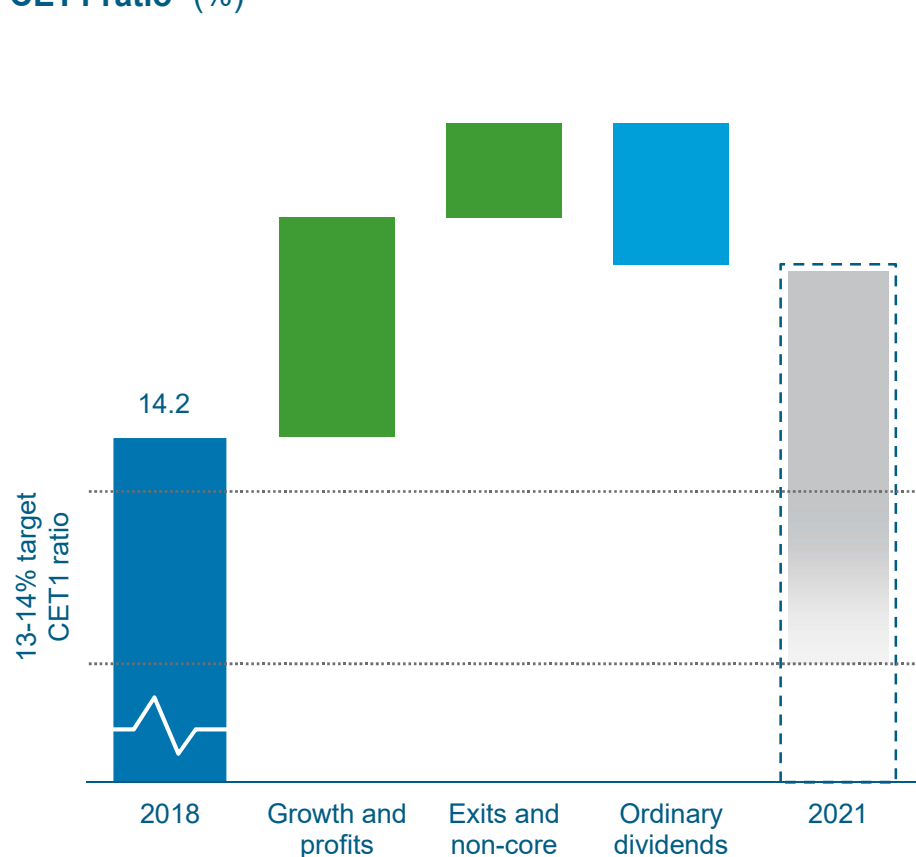
- Underlying growth in client assets expected to be ~4% p.a.
- Planned exits and run-down of low-returning business
  - Completion of PF sale: ~\$2.5bn RWA
  - Discontinue Ship Leasing: ~\$0.9bn RWA
- Permata JV no longer core: ~\$9.0bn RWA
- Further ~\$9bn reduction targeted through optimisation initiatives
  - Model, data and documentation efficiencies
  - Further reduction of low-returning CIB relationships
- Basel III expected to inflate RWAs by 5-10% from 2022
  - Initial expectation was for a 10-15% impact
  - Impact on CET1 would be mitigated by earnings accretion



... which with equity generation is expected to fuel both business growth and significant distributions to shareholders

**We expect to generate significant surplus capital**

**CET1 ratio<sup>1</sup> (%)**



- Updated CET1 target range to 13-14% from 12-13%
- Maintain intention to grow ordinary dividend per share
  - Potential to double full-year dividend per share by FY'21
  - Formulaic interim dividend: 1/3 of prior FY dividend
  - Scrip option will no longer be offered
- Intend to distribute to shareholders surplus capital that is not deployed to fund additional growth<sup>2</sup>



# **Bill Winters**

## Group Chief Executive

# Our priorities are driven by our purpose and delivered by our people

## Our purpose: Driving commerce and prosperity through our unique diversity

### We understand our responsibilities



- Collaborate with clients and suppliers to drive up social and environmental standards
- But clear what we will not do; e.g. no new coal
- Partnering to lead the way in fighting financial crime
- Make our risk and control approach a competitive advantage

### We will lead sustainable financing across emerging markets



- Expand renewables financing
- Invest in sustainable infrastructure where it matters most
- Connect capital to drive positive social economic impact in our markets

### We will maximise return from investment in our people



- Create an inclusive culture that capitalises on the diversity of thought and experience
- Build a future-ready workforce – digital, agile, people leadership
- Organise ourselves around client journeys
- Deploy our diverse talent in service of our highest growth markets

### We support the communities where we work and live



- Tackle inequality: investing in 'Futuremakers' to empower disadvantaged young people
- Mobilise finance to tackle avoidable blindness: the Vision Catalyst Fund
- Use digital services to increase access to finance and inclusion

# Key messages

**We have fundamentally overhauled the bank over the last three years**

**We are a global bank with deep local expertise in many of the world's most dynamic markets**

**Our refreshed strategic priorities are to ...**

Accelerate in areas where we have distinctive competitive advantage

Eliminate residual drags on our returns

Maintain discipline on costs and improve our productivity

Disrupt through digital: we are big enough to be relevant to clients and partners  
yet nimble enough to innovate

**... which we expect will deliver RoTE above 10% by 2021**

**and produce capital to support a potential doubling of dividends, incremental profitable growth**

**and substantial distributions to shareholders**

# Q&A



# Appendix



# Appendix: FY2018 Group financial analysis

# Group financial summary

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>14,968</b>	<b>14,289</b>	<b>5</b>
Other operating expenses excluding the UK bank levy	(10,140)	(9,900)	(2)
UK bank levy	(324)	(220)	(47)
<b>Operating profit before impairment and taxation</b>	<b>4,504</b>	<b>4,169</b>	<b>8</b>
Credit impairment	(740)	(1,200)	38
Other impairment	(148)	(169)	12
Profit from associates and joint ventures	241	210	15
<b>Underlying profit before taxation</b>	<b>3,857</b>	<b>3,010</b>	<b>28</b>
Provision for regulatory matters	(900)	-	nm
Restructuring and other items	(409)	(595)	31
<b>Statutory profit / (loss) before taxation</b>	<b>2,548</b>	<b>2,415</b>	<b>6</b>
Taxation	(1,439)	(1,147)	(25)
<b>Profit for the year</b>	<b>1,109</b>	<b>1,268</b>	<b>(13)</b>

Q4 2018	Q3 2018	Q4 2017	QoQ % <sup>1</sup>	YoY % <sup>1</sup>
<b>3,595</b>	<b>3,724</b>	<b>3,478</b>	<b>(3)</b>	<b>3</b>
(2,512)	(2,511)	(2,649)	(0)	5
(324)	-	(220)	-	(47)
<b>759</b>	<b>1,213</b>	<b>609</b>	<b>(37)</b>	<b>25</b>
(332)	(115)	(269)	nm	(23)
(21)	(76)	(66)	72	68
26	47	3	(45)	nm
<b>432</b>	<b>1,069</b>	<b>277</b>	<b>(60)</b>	<b>56</b>
(900)	-	-	nm	nm
(392)	(7)	(390)	nm	(1)
<b>(860)</b>	<b>1,062</b>	<b>(113)</b>	<b>nm</b>	<b>91</b>



# Operating income by product

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Transaction Banking</b>	<b>3,718</b>	<b>3,329</b>	<b>12</b>
Trade	1,123	1,197	(6)
Cash Management and Custody	2,595	2,132	22
<b>Financial Markets</b>	<b>2,612</b>	<b>2,544</b>	<b>3</b>
Foreign Exchange	1,001	943	6
Rates <sup>2</sup>	555	535	4
Commodities	192	157	22
Credit and Capital Markets <sup>2</sup>	324	376	(14)
Capital Structuring Distribution Group	309	279	11
Other Financial Markets	231	254	(9)
<b>Corporate Finance</b>	<b>1,423</b>	<b>1,476</b>	<b>(4)</b>
<b>Lending and Portfolio Management</b>	<b>518</b>	<b>496</b>	<b>4</b>
<b>Wealth Management</b>	<b>1,799</b>	<b>1,741</b>	<b>3</b>
<b>Retail Products</b>	<b>3,750</b>	<b>3,583</b>	<b>5</b>
CCPL and other unsecured lending	1,310	1,367	(4)
Deposits	1,782	1,419	26
Mortgage and Auto	573	724	(21)
Other Retail Products	85	73	16
<b>Treasury</b>	<b>1,223</b>	<b>1,143</b>	<b>7</b>
<b>Others<sup>3</sup></b>	<b>(75)</b>	<b>(23)</b>	<b>nm</b>
<b>Total operating income</b>	<b>14,968</b>	<b>14,289</b>	<b>5</b>

Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
<b>942</b>	<b>936</b>	<b>924</b>	<b>916</b>	<b>876</b>
257	277	285	304	298
685	659	639	612	578
<b>580</b>	<b>631</b>	<b>677</b>	<b>724</b>	<b>536</b>
232	239	280	250	208
63	194	121	177	74
50	38	53	51	35
83	48	87	106	85
91	71	92	55	51
61	41	44	85	83
<b>434</b>	<b>324</b>	<b>334</b>	<b>331</b>	<b>466</b>
<b>117</b>	<b>123</b>	<b>141</b>	<b>137</b>	<b>111</b>
<b>343</b>	<b>465</b>	<b>452</b>	<b>539</b>	<b>397</b>
<b>925</b>	<b>929</b>	<b>953</b>	<b>943</b>	<b>916</b>
294	320	345	351	334
481	476	431	394	366
127	114	156	176	196
23	19	21	22	20
<b>253</b>	<b>342</b>	<b>338</b>	<b>290</b>	<b>200</b>
<b>1</b>	<b>(26)</b>	<b>(43)</b>	<b>(7)</b>	<b>(24)</b>
<b>3,595</b>	<b>3,724</b>	<b>3,776</b>	<b>3,873</b>	<b>3,478</b>

# Ongoing business and liquidation portfolio

(\$m)	31.12.18			01.01.18		
	Ongoing business	Liquidation portfolio	Total	Ongoing business	Liquidation portfolio	Total
Gross loans and advances to customers <sup>1</sup>	260,094	1,361	261,455	255,589	2,248	257,837
Of which stage 1 and 2	254,445	86	254,531	249,046	22	249,068
Of which stage 3	5,649	1,275	6,924	6,543	2,226	8,769
Expected credit loss provisions	(3,932)	(966)	(4,898)	(4,704)	(1,626)	(6,330)
Of which stage 1 and 2	(838)	(4)	(842)	(1,048)	-	(1,048)
Of which stage 3	(3,094)	(962)	(4,056)	(3,656)	(1,626)	(5,282)
Net loans and advances to customers	256,162	395	256,557	250,885	622	251,507
Of which stage 1 and 2	253,607	82	253,689	247,998	22	248,020
Of which stage 3	2,555	313	2,868	2,887	600	3,487
Cover ratio of stage 3 loans before collateral (%)	55	75	59	56	73	60
Cover ratio of stage 3 loans after collateral (%)	78	93	81	78	88	81
Credit Grade 12 accounts (\$m)	1,437	86	1,523	1,483	22	1,505
Early alerts (\$m)	4,767	-	4,767	8,668	-	8,668
Investment grade corporate exposures (%)	62	-	62	57	-	57

1. Includes reverse repurchase agreements and other similar secured lending held at amortised costs of \$3,151 million at 31.12.18 and \$4,566 million at 01.01.18



# Appendix: FY2018 client segment financial analysis

# Underlying performance by client segment

2018 (\$m)	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items	Total
<b>Operating income</b>	<b>6,860</b>	<b>5,041</b>	<b>1,391</b>	<b>516</b>	<b>1,160</b>	<b>14,968</b>
Operating expenses	(4,396)	(3,736)	(923)	(530)	(879)	(10,464)
<b>Operating profit/(loss) before impairment and taxation</b>	<b>2,464</b>	<b>1,305</b>	<b>468</b>	<b>(14)</b>	<b>281</b>	<b>4,504</b>
Credit impairment	(242)	(267)	(244)	-	13	(740)
Other impairment	(150)	(5)	-	-	7	(148)
Profit from associates and joint ventures	-	-	-	-	241	241
<b>Underlying profit / (loss) before taxation</b>	<b>2,072</b>	<b>1,033</b>	<b>224</b>	<b>(14)</b>	<b>542</b>	<b>3,857</b>
Statutory profit / (loss) before taxation	<b>1,675</b>	<b>965</b>	<b>212</b>	<b>(38)</b>	<b>(266)</b>	<b>2,548</b>
2017 (\$m)						
Operating income	6,496	4,834	1,333	500	1,126	14,289
Operating expenses	(4,409)	(3,585)	(881)	(500)	(745)	(10,120)
Operating profit before impairment and taxation	2,087	1,249	452	-	381	4,169
Credit impairment	(658)	(375)	(167)	(1)	1	(1,200)
Other impairment	(168)	(1)	(3)	-	3	(169)
Profit from associates and joint ventures	-	-	-	-	210	210
<b>Underlying profit / (loss) before taxation</b>	<b>1,261</b>	<b>873</b>	<b>282</b>	<b>(1)</b>	<b>595</b>	<b>3,010</b>
Statutory profit / (loss) before taxation	986	854	269	(16)	322	2,415
<b>YoY%<sup>1</sup></b>						
Operating income	6	4	4	3	3	5
<b>Underlying profit / (loss) before taxation</b>	<b>64</b>	<b>18</b>	<b>(21)</b>	<b>nm</b>	<b>(9)</b>	<b>28</b>

# Corporate & Institutional Banking

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>6,860</b>	<b>6,496</b>	<b>6</b>
Transaction Banking	2,887	2,564	13
Financial Markets	2,328	2,266	3
Corporate Finance	1,325	1,390	(5)
Lending and Portfolio Mgmt	315	284	11
Other	5	(8)	nm
Operating expenses	(4,396)	(4,409)	0
Credit impairment	(242)	(658)	63
Other impairment	(150)	(168)	11
<b>Underlying profit before taxation</b>	<b>2,072</b>	<b>1,261</b>	<b>64</b>
Statutory profit before taxation	1,675	986	70

Key metrics	2018	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	146.6	131.7	11
Customer accounts (\$bn)	243.0	222.7	9
Risk-weighted assets (\$bn)	129.0	147.1	(12)
<b>Underlying RoTE</b>	<b>7.4%</b>	<b>4.4%</b>	<b>299bps</b>

### Progress

- Completed on-boarding of over 100 new OECD clients, and continued to deepen relationships with existing clients
- More closely aligned the Corporate & Institutional Banking and Commercial Banking segments, generating synergies across deal origination and capital allocation
- Our momentum in developing and connecting our clients' ecosystems continues with over 81 buyers<sup>3</sup> (2017: 43) and 2,625 suppliers<sup>3</sup> (2017: 2,099) on-boarded
- Improved balance sheet quality, with investment-grade clients now representing 63 per cent of customer loans and advances (2017: 57 per cent) and high-quality operating account balances improving to 49 per cent of Transaction Banking customer balances (2017: 48 per cent)
- Co-founded the Trade Information Network which aims to be the first inclusive global multi-bank, multi-corporate network in trade finance. The network will provide clients and participants with a standardised platform driving improved financing optionality, pricing transparency and efficiency

### Performance highlights

- Underlying profit before taxation of \$2,072 million was up 64 per cent year-on-year primarily driven by higher income and lower credit impairment
- Underlying income of \$6,860 million was up 6 per cent year-on-year primarily driven by Cash Management and Financial Markets income which partially offset margin compression in Corporate Finance and Trade Finance. Good balance sheet momentum with loans and advances to customers up 11 per cent year-on-year
- RoE improved from 3.9 to 6.8 per cent and RoTE improved from 4.4 to 7.4 per cent

# Retail Banking

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>5,041</b>	<b>4,834</b>	<b>4</b>
Greater China & North Asia	2,886	2,684	8
ASEAN & South Asia	1,352	1,302	4
Africa & Middle East	765	813	(6)
Europe & Americas	38	35	9
Operating expenses	(3,736)	(3,585)	(4)
Credit impairment	(267)	(375)	28
Other impairment	(5)	(1)	nm
<b>Underlying profit before taxation</b>	<b>1,033</b>	<b>873</b>	<b>18</b>
Statutory profit before taxation	965	854	13

Key metrics	2018	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	101.6	103.0	(1)
Customer accounts (\$bn)	136.7	129.5	6
Risk-weighted assets (\$bn)	42.9	44.1	(3)
<b>Underlying RoTE</b>	<b>11.8%</b>	<b>10.3%</b>	<b>149bps</b>

### Progress

- Increased the share of income from Priority clients from 45 per cent in 2017 to 47 per cent as a result of strong Wealth Management and Deposit income growth and increasing client numbers
- Launched the first digital-only bank in Côte d'Ivoire with a plan to roll out across other markets in the Africa & Middle East region and develop stand-alone digital banking propositions in key markets in Asia
- Launched real time on-boarding in India, enabling straight-through current and savings account opening and more efficient Credit Cards and Personal Loan applications with significantly improved customer experience
- Launched Premium Banking in eight markets
- A further improvement in digital adoption, with 49 per cent of clients now actively using online or mobile banking compared to 45 per cent in 2017

### Performance highlights

- Underlying profit before taxation of \$1,033 million was up 18 per cent year-on-year as income growth and lower credit impairment more than offset increased expenses
- Underlying income of \$5,041 million was up 4 per cent year-on-year with growth of 8 per cent in Greater China & North Asia, and 4 per cent in ASEAN & South Asia, partially offsetting a 6 per cent decline in Africa & Middle East
- Strong income momentum from Deposits with improved margins and balance growth together with growth in Wealth Management, particularly in the first half of the year. Together, Deposits and Wealth Management income, representing 61 per cent of Retail Banking income, grew 15 per cent year on year
- RoE improved from 9.2 to 10.8 per cent and RoTE improved from 10.3 to 11.8 per cent

# Retail Banking

## Regional performance

	Greater China & North Asia			ASEAN & South Asia			Africa & Middle East			Europe & Americas			Total		
(\$m)	2018	2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>2,886</b>	<b>2,684</b>	<b>8</b>	<b>1,352</b>	<b>1,302</b>	<b>4</b>	<b>765</b>	<b>813</b>	<b>(6)</b>	<b>38</b>	<b>35</b>	<b>9</b>	<b>5,041</b>	<b>4,834</b>	<b>4</b>
Operating expenses	(1,959)	(1,839)	(7)	(1,083)	(1,085)	0	(668)	(638)	(5)	(26)	(23)	(13)	(3,736)	(3,585)	(4)
Credit impairment	(72)	(150)	52	(135)	(146)	8	(60)	(79)	24	-	-	-	(267)	(375)	29
Other impairment	(5)	(1)	nm	-	-	-	-	-	-	-	-	-	(5)	(1)	nm
<b>Underlying profit before taxation</b>	<b>850</b>	<b>694</b>	<b>22</b>	<b>134</b>	<b>71</b>	<b>89</b>	<b>37</b>	<b>96</b>	<b>(61)</b>	<b>12</b>	<b>12</b>	<b>-</b>	<b>1,033</b>	<b>873</b>	<b>18</b>
Statutory profit before taxation	832	685	21	114	73	56	7	84	(92)	12	12	-	965	854	13
(\$bn)															
Loans and advances to customers <sup>2</sup>	68	68	(1)	28	28	(1)	6	6	(10)	1	0	4	102	103	(1)
Customer accounts	95	89	7	32	31	5	8	9	(6)	1	1	(12)	137	130	6

# Commercial Banking

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>1,391</b>	<b>1,333</b>	<b>4</b>
<i>Greater China &amp; North Asia</i>	<b>584</b>	527	11
<i>ASEAN &amp; South Asia</i>	<b>523</b>	504	4
<i>Africa &amp; Middle East</i>	<b>284</b>	302	(6)
Operating expenses	<b>(923)</b>	(881)	(5)
Credit impairment	<b>(244)</b>	(167)	(46)
Other impairment		(3)	100
<b>Underlying profit before taxation</b>	<b>224</b>	<b>282</b>	<b>(21)</b>
Statutory profit before taxation	<b>212</b>	269	(21)

### Progress

- On-boarded over 6,400 new clients in 2018, of which 19 per cent came from our clients' international and domestic networks of buyers and suppliers
- Increased share of income from cash and FX products to 44 per cent (up from 39 per cent in 2017)
- Strengthened foundations in credit risk management and improved asset quality, with RWA<sup>3</sup> efficiency improving from 78 per cent in 2017 to 74 per cent in 2018. However, gross credit impairments remain elevated, partially offset by recoveries
- Increased Straight2Bank utilisation by Commercial Banking active clients from 52 per cent in 2017 to 58 per cent in 2018
- Rolled out new digital platform to empower frontline staff with client analytics and data-driven insights into our clients' needs

### Performance highlights

- Underlying profit before taxation of \$224 million was down 21 per cent year-on-year due to higher credit impairments in Africa & Middle East
- Underlying income of \$1,391 million was up 4 per cent year-on-year mainly driven by growth from Cash. Income was up 11 per cent in Greater China & North Asia and up 4 per cent in ASEAN & South Asia, partially offsetting a 6 per cent decline in Africa & Middle East
- RoE declined from 3.9 to 3.1 per cent and RoTE declined from 4.4 to 3.4 per cent

Key metrics	2018	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	27.3	28.1	(3)
Customer accounts (\$bn)	34.9	33.9	3
Risk-weighted assets (\$bn)	30.5	33.1	(8)
<b>Underlying RoTE</b>	<b>3.4%</b>	<b>4.4%</b>	<b>(98)bps</b>



# Commercial Banking

## Regional performance

	Greater China & North Asia			ASEAN & South Asia			Africa & Middle East			Total		
(\$m)	2018	2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>584</b>	527	11	<b>523</b>	504	<b>4</b>	<b>284</b>	302	<b>(6)</b>	<b>1,391</b>	1,333	4
Operating expenses	(389)	(386)	(1)	(330)	(304)	(9)	(204)	(191)	<b>(7)</b>	(923)	(881)	(5)
Credit impairment	(23)	12	nm	(73)	(110)	34	(148)	(69)	nm	(244)	(167)	(46)
Other impairment		(3)	100		-	-		-	-		(3)	100
<b>Underlying profit / (loss) before taxation</b>	<b>172</b>	150	<b>15</b>	<b>120</b>	90	<b>33</b>	<b>(68)</b>	42	<b>nm</b>	<b>224</b>	282	(21)
Statutory profit / (loss) before taxation	165	146	<b>13</b>	117	85	<b>38</b>	(70)	38	<b>nm</b>	212	269	<b>(21)</b>
(\$bn)												
Loans and advances to customers <sup>2</sup>	14	14	(2)	9	9	(3)	4	4	(6)	27	28	(3)
Customer accounts	22	20	11	10	11	(11)	3	3	3	35	34	3

# Private Banking

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>516</b>	<b>500</b>	<b>3</b>
<i>Wealth Management</i>	305	299	2
<i>Retail Products</i>	211	201	5
Operating expenses	(530)	(500)	(6)
Credit impairment		(1)	100
Other impairment		-	-
<b>Underlying (loss) before taxation</b>	<b>(14)</b>	<b>(1)</b>	<b>nm</b>
Statutory (loss) before taxation	(38)	(16)	nm

Key metrics	2018	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	13.6	13.4	2
Customer accounts (\$bn)	19.6	22.2	(12)
Risk-weighted assets (\$bn)	5.9	5.9	(1)
<b>Underlying RoTE</b>	<b>(1.0)%</b>	<b>(0.1)%</b>	<b>(97)bps</b>

### Progress

- Targeted marketing of our investment philosophy and advisory capabilities which are both focused on mitigating biases in clients' investment decisions, in order to continue our shift towards clients with more than \$5 million in assets under management
- Leveraged our new open architecture platforms for Equity Structured Products, Fixed Income and FX/FX Derivatives to significantly enhance trading activity and simplified critical processes to reduce client transaction time
- Continued investments in building a senior team of frontline relationship managers across our markets
- Strengthened our client position through the referrals programme to and from Commercial and Corporate & Institutional Banking

### Performance highlights

- Private Banking generated an underlying income of \$516 million which was up 3 per cent year-on-year, making a second consecutive year of top line growth in our third year of transformation. The income growth was mainly driven by improved product margins across Retail Deposits and Wealth Lending and higher Managed Investment income. Wealth Management and Retail Products income were up 2 per cent and 5 per cent respectively
- There was an underlying loss before taxation of \$14 million however, compared with a loss of \$1 million in the prior period, due to non-recurrence of cost provision release in the prior year (\$10 million) and an increase in largely one-off costs including a regulatory fine (\$5 million)
- Assets under management decreased \$5 billion or 8 per cent from 31 December 2017, mainly impacted by negative market movements, offsetting net new money growth of \$0.7 billion during the year
- RoE and RoTE declined from (0.1) to (1.0) per cent



# Appendix: FY2018 region financial analysis

# Underlying performance by region

2018 (\$m)	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
<b>Operating income</b>	<b>6,157</b>	<b>3,971</b>	<b>2,604</b>	<b>1,670</b>	<b>566</b>	<b>14,968</b>
Operating expenses	(3,812)	(2,711)	(1,810)	(1,453)	(678)	(10,464)
<b>Operating profit / (loss) before impairment and taxation</b>	<b>2,345</b>	<b>1,260</b>	<b>794</b>	<b>217</b>	<b>(112)</b>	<b>4,504</b>
Credit impairment	(71)	(322)	(262)	(83)	(2)	(740)
Other impairment	(110)	6	-	17	(61)	(148)
Profit from associates and joint ventures	205	26	-	3	7	241
<b>Underlying profit / (loss) before taxation</b>	<b>2,369</b>	<b>970</b>	<b>532</b>	<b>154</b>	<b>(168)</b>	<b>3,857</b>
Statutory profit / (loss) before taxation	2,263	1,075	432	99	(1,321)	2,548
2017 (\$m)						
Operating income	5,616	3,833	2,764	1,601	475	14,289
Operating expenses	(3,681)	(2,654)	(1,819)	(1,407)	(559)	(10,120)
Operating profit / (loss) before impairment and taxation	1,935	1,179	945	194	(84)	4,169
Credit impairment	(141)	(653)	(300)	(107)	1	(1,200)
Other impairment	(81)	(12)	(3)	(16)	(57)	(169)
Profit / (loss) from associates and joint ventures	229	(22)	-	-	3	210
Underlying profit / (loss) before taxation	1,942	492	642	71	(137)	3,010
Statutory profit / (loss) before taxation	1,977	350	609	46	(567)	2,415
YoY% <sup>1</sup>						
Operating income	10	4	(6)	4	19	5
<b>Underlying profit / (loss) before taxation</b>	<b>22</b>	<b>97</b>	<b>(17)</b>	<b>nm</b>	<b>(23)</b>	<b>28</b>

1. YoY variance is better / (worse)

# Greater China & North Asia

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>6,157</b>	<b>5,616</b>	<b>10</b>
<i>Hong Kong</i>	3,752	3,384	11
<i>Korea</i>	1,009	967	4
<i>China</i>	821	707	16
<i>Other</i>	575	558	3
Operating expenses	(3,812)	(3,681)	(4)
Credit impairment	(71)	(141)	50
Other impairment	(110)	(81)	(36)
Profit from associates	205	229	(10)
<b>Underlying Profit before taxation</b>	<b>2,369</b>	<b>1,942</b>	<b>22</b>
Statutory profit before taxation	2,263	1,977	14

Key metrics	2018	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	130.7	126.7	3
Customer accounts (\$bn)	196.9	186.5	6
<b>Risk-weighted assets (\$bn)</b>	<b>81.0</b>	<b>84.6</b>	<b>(4)</b>

### Progress

- We have been active in the opening of China's capital markets, helping overseas investors do business through channels such as Bond Connect, Stock Connect and the Qualified Domestic Institutional Investor initiative
- Good progress in Retail Banking in Hong Kong. We attracted more than 51,000 new Priority clients during the year and increased our active qualified Priority clients by 11 per cent
- In August, we applied for a virtual bank licence in Hong Kong and have been working to develop a strong platform and client proposition
- We have delivered a small profit in Retail Banking Korea and refreshed the strategic agenda in Retail Banking China where performance remained broadly flat

### Performance highlights

- Underlying profit before taxation of \$2,369 million was 22 per cent higher year-on-year with income growth and lower credit impairment partially offset by increased expenses as we continued to invest
- Underlying income of \$6,157 million was 10 per cent higher year-on-year, with broad-based growth across all markets and client segments particularly in Hong Kong and China. Retail Banking income grew 8 per cent and Private Banking was up 13 per cent year-on-year, driven by Wealth Management and Deposits with improving margins and strong balance sheet growth. Corporate & Institutional Banking and Commercial Banking income grew 12 per cent and 11 per cent year-on-year respectively driven by strong Cash Management and Corporate Finance
- Balance sheet momentum was sustained with loans and advances to customers up 3 per cent and customer accounts up 6 per cent year-on-year

# ASEAN & South Asia

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>3,971</b>	<b>3,833</b>	<b>4</b>
<i>Singapore</i>	1,547	1,419	9
<i>India</i>	949	1,008	(6)
<i>Other</i>	1,475	1,406	5
Operating expenses	(2,711)	(2,654)	(2)
Credit impairment	(322)	(653)	51
Other impairment	6	(12)	nm
Profit / (loss) from associates	26	(22)	nm
<b>Underlying profit before taxation</b>	<b>970</b>	<b>492</b>	<b>97</b>
Statutory profit before taxation	1,075	350	nm

Key metrics	2017	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	81.9	82.6	(1)
Customer accounts (\$bn)	96.9	95.3	2
<b>Risk-weighted assets (\$bn)</b>	<b>87.9</b>	<b>96.7</b>	<b>(9)</b>

### Progress

- Eight out of 12 markets grew in both income and operating profit, reflecting the actions taken to deliver broad-based growth
- Delivered strong growth in targeted client segments – we added 10,000 Priority Banking clients, 2,000 Commercial Banking clients; Global Subsidiary and Priority Banking income grew strongly
- Shift to capital-lite business making progress – Retail Banking and Transaction Banking current accounts and savings accounts (CASA) income grew double-digit and risk-weighted assets reduced by 9 per cent. As a result, over 50 per cent of our income was from capital-lite products
- Launched market-leading digital capabilities to drive a better client experience, including real-time on-boarding in India and Retail Banking digital journeys in Singapore, India and Malaysia

### Performance highlights

- Underlying profit before taxation almost doubled year-on-year to \$970 million, underpinned by 4 per cent income growth, costs up 2 per cent and 51 per cent lower credit impairments from improved credit quality and recoveries
- Underlying income of \$3,971 million is 4 per cent higher year-on-year, with income growth in Retail Banking, Corporate & Institutional Banking and Commercial Banking offsetting an income decline in Private Banking which was impacted by slower market activity
- Risk-weighted assets declined by 9 per cent year-on-year as we improved the asset quality mix; customer deposits were up 2 per cent, customer loans and advances declined 1 per cent year-on-year mainly in mortgages

# Africa & Middle East

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>2,604</b>	<b>2,764</b>	<b>(6)</b>
UAE	637	733	(13)
Other	1,967	2,031	(3)
Operating expenses	(1,810)	(1,819)	0
Credit impairment	(262)	(300)	13
Other impairment		(3)	100
Profit from associates		-	-
<b>Underlying profit before taxation</b>	<b>532</b>	<b>642</b>	<b>(17)</b>
Statutory profit before taxation	432	609	(29)

Key metrics	2018	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	29.9	29.6	1
Customer accounts (\$bn)	29.9	31.8	(6)
<b>Risk-weighted assets (\$bn)</b>	<b>53.1</b>	<b>56.4</b>	<b>(6)</b>

### Progress

- After a successful launch of a digital-only bank in Côte d'Ivoire in the first half of 2018, we are extending this to other markets in Africa
- Despite geopolitical and macroeconomic headwinds, enhanced risk profile and tighter underwriting standards led to lower credit impairments year-on-year
- Cost efficiencies have allowed investments to continue through the cycle

### Performance highlights

- Underlying profit before taxation of \$532 million was down 17 per cent year-on-year driven by lower income partially offset by credit impairment with expenses largely flat. Good performance in East Africa and Saudi Arabia with underperformance in West Africa, Southern Africa and the UAE
- Underlying income of \$2,604 million was down 6 per cent year-on-year due to macro and geo-political headwinds and material currency devaluation in some of our markets. Middle East, North Africa and Pakistan were 6 per cent lower and Africa was down 5 per cent. Transaction Banking and Wealth Management income was largely flat, Financial Markets income declined due to lower volatility while Corporate Finance and Retail products reported an income decline year-on-year with lower margins more than offsetting volume growth
- Credit impairment was down \$38 million year-on-year driven by improved risk profile through tighter underwriting standards
- Loans and advances to customers were up 1 per cent year-on-year and customer accounts declined 6 per cent

# Europe & Americas

## Financial analysis

(\$m)	2018	2017	YoY % <sup>1</sup>
<b>Operating income</b>	<b>1,670</b>	<b>1,601</b>	<b>4</b>
UK	819	747	10
US	667	675	(1)
Other	184	179	3
Operating expenses	(1,453)	(1,407)	(3)
Credit impairment	(83)	(107)	22
Other impairment	17	(16)	nm
Profit from associates	3	-	nm
<b>Underlying profit before taxation</b>	<b>154</b>	<b>71</b>	<b>nm</b>
Statutory profit before taxation	99	46	nm

Key metrics	2018	2017	YoY% <sup>1</sup>
Loans and advances to customers (\$bn) <sup>2</sup>	56.9	46.6	22
Customer accounts (\$bn)	113.5	98.1	16
<b>Risk-weighted assets (\$bn)</b>	<b>40.8</b>	<b>44.7</b>	<b>(9)</b>

### Progress

- Good progress in improving the share of business from targeted multinational corporate clients, with income up 48 per cent and 9 per cent from 'New 90' OECD and 'Next 100' client initiatives respectively
- Continued to diversify and selectively expand our client base in the region
- Delivered high returns through improved quality of income combined with risk-weighted assets optimisation
- Continued to improve the quality of our funding base by increasing the proportion of operating account liabilities relative to our balance sheet size
- Set up a new subsidiary in Frankfurt to continue to serve our European client base whether or not the UK leaves the EU

### Performance highlights

- Underlying profit before taxation of \$154 million more than doubled year-on-year from continued growth in income and lower credit impairments driven by an improvement in underlying credit quality. Expenses grew 3 per cent as investments in platforms and people were offset by lower regulatory expense
- Underlying income of \$1,670 million was up 4 per cent year-on-year driven by strong momentum in Transaction Banking and Private Banking
- Income growth was broad-based with a number of markets growing at a double-digit rate and income generated by our clients, but booked elsewhere in the network, increased 8 per cent in 2018
- Loans and advances to customers were up 22 per cent year-on-year and customer accounts grew 16 per cent



# Performance by key markets

Operating income				Underlying profit / (loss) before taxation		
(\$m)		2017	YoY % <sup>1</sup>	2018	2017	YoY % <sup>1</sup>
Hong Kong		3,384	11	1,642	1,386	18
Korea		967	4	212	134	58
China		707	16	321	267	20
Singapore		1,419	9	423	185	nm
India		1,008	(6)	141	96	47
UAE		733	(13)	(12)	115	nm
UK		747	10	114	71	61
US		675	(1)	10	(25)	nm



# Appendix: FY2018 Central & other items

# Central & other items



## Central & other items (segment)

(\$m)	2018	
Operating income	1,160	3
Underlying profit before taxation	542	(9)
Statutory loss before taxation	(266)	nm

- Income in Central & other items (segment) was 3 per cent higher as Treasury income benefited from rises in global interest rates
- Underlying profit declined 9 per cent primarily on account of higher UK bank levy
- Statutory loss in the year includes \$900m provision in respect of legacy financial crime control matters and FX trading issues

## Central & other items (region)

(\$m)	2018	YoY% <sup>1</sup>
Operating income	566	19
Underlying loss before taxation	(168)	(23)
Statutory loss before taxation	(1,321)	nm

- Income in Central & other items (region) was 19 per cent higher driven by Treasury Capital and other income
- Underlying loss increased 23 per cent primarily on account of higher UK bank levy
- Statutory loss in the year includes \$900m provision in respect of legacy financial crime control matters and FX trading issues



# Appendix: Macroeconomic outlook

# Macro fundamentals remain solid, but uncertainties are weighing on sentiment

## Potential headwinds

- Trade tensions
- Slowing Chinese economy
- Oil price volatility
- Currency pressure across EM

## Potential tailwinds

- Continued rising interest rates
- Growth fundamentals remaining positive
- China's continued B&R and RMB expansion
- Recovering EM stock markets and confidence

Real GDP growth <sup>1</sup> (%)		2018	2019e	
GCNA	Hong Kong	3.4	2.7	↓
	China	6.6	6.4	↓
	Korea	2.7	2.5	↓
ASA	India	7.2	7.3	↑
	Indonesia	5.1	5.1	↔
	Singapore	3.3	2.6	↓
AME	Nigeria	1.8	3.0	↑
	UAE	2.9	3.3	↑
EA	UK	1.3	1.2	↓
	USA	2.3	1.9	↓

# Appendix: Definitions

# Definitions

Term	Explanation	Term	Explanation	Term	Explanation
<b>AAME</b>	Asia, Africa & Middle East	<b>ETB</b>	Existing to bank	<b>OPAC</b>	Operating account
<b>AME</b>	Africa & Middle East	<b>FI</b>	Financial Institutions	<b>P.A.</b>	Per annum
<b>API</b>	Application Programming Interface	<b>FTE</b>	Full-time employee	<b>P&amp;L</b>	Profit and loss (Income statement)
<b>ASA</b>	ASEAN & South Asia	<b>FVTPL</b>	Fair Value Through Profit or Loss	<b>PBT</b>	Profit before tax
<b>AT1</b>	Additional Tier 1 Capital	<b>FX</b>	Foreign Exchange	<b>PoC</b>	Proof of concept
<b>AUM</b>	Assets under management	<b>FY</b>	Financial year	<b>PPT</b>	Percentage points
<b>B&amp;R</b>	Belt & Road Initiative	<b>GCNA</b>	Greater China & North Asia	<b>PvB</b>	Private Banking
<b>bn</b>	Billion	<b>GDP</b>	Gross domestic product	<b>QoQ</b>	Quarter-on-quarter
<b>Bps</b>	Basis points	<b>IAS</b>	International Accounting Standards	<b>Q&amp;A</b>	Questions & Answers
<b>Capital-lite income</b>	Income generated from non-funded products	<b>IFRS</b>	International Financial Reporting Standards	<b>RB</b>	Retail Banking
<b>CAGR</b>	Compound annual growth rate	<b>IMF</b>	International Monetary Fund	<b>RM</b>	Relationship Manager
<b>CASA</b>	Current and Savings Account	<b>JV</b>	Joint venture	<b>RMB</b>	Renminbi
<b>CB</b>	Commercial Banking	<b>KYC</b>	Know Your Customer	<b>RoE</b>	Return on equity
<b>CCPL</b>	Credit Cards, Personal Loans and other unsecured lending	<b>m</b>	Million	<b>RoI</b>	Return on investment
<b>CET1</b>	Common Equity Tier 1 capital	<b>Mgmt</b>	Management	<b>RoRWA</b>	Income as a percentage of RWA
<b>CG12</b>	Credit grade 12	<b>MNC</b>	Multinational corporation	<b>RoTE</b>	Return on tangible equity
<b>CIB</b>	Corporate & Institutional Banking	<b>nm</b>	Not meaningful	<b>RWA</b>	Risk-weighted assets
<b>CIPS</b>	Cross-Border Inter-Bank Payments System	<b>Network income</b>	Income generated outside of a client group's headquarter country	<b>S2B</b>	Straight2Bank
<b>Cover ratio</b>	Extent to which non-performing loans are covered by impairment provisions	<b>NII</b>	Net interest income	<b>SME</b>	Small and medium enterprises
<b>EA</b>	Europe & Americas	<b>NIM</b>	Net interest margin	<b>SMS</b>	Short Message Service
<b>eDM</b>	Electronic Direct Mail	<b>NPL</b>	Non-performing loans	<b>TB</b>	Transaction Banking
<b>EM</b>	Emerging markets	<b>NPS</b>	Net promoter score	<b>tn</b>	Trillion
<b>EPS</b>	Earnings per share	<b>NTB</b>	New-to-bank	<b>WM</b>	Wealth Management
		<b>OECD</b>	Organisation for Economic Co-operation and Development	<b>YoY</b>	Year-on-year