



Half Year 2018 Results Presentation

31 July 2018

Here for good



Bill Winters

Group Chief Executive

Further progress on the path to higher returns

- Solid start to the year
 - Improving financial performance
 - Digital and growth agendas advancing
 - Strengthened risk discipline improving returns
 - Capital and liquidity remain strong in the face of EM volatility
 - RoE improvement underpins resumption of interim dividend
- Client satisfaction and market shares improving
- Transformation to a high-performance culture accelerating
- Economic backdrop remains supportive but uncertainties persist

Our higher quality portfolio is driving better returns

• Operating income (\$bn)

Targeted investments¹

Return optimisation²

Primarily markets-related³



H1 18
YoY

H1 18
HoH

14%

8%

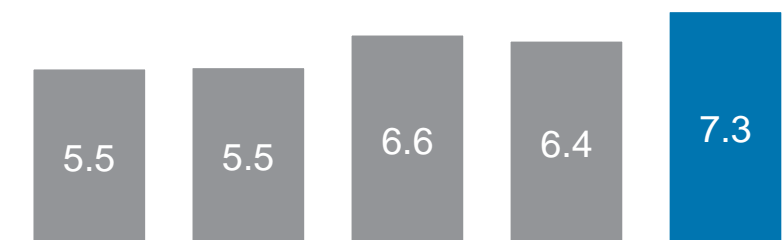
1%

(4)%

(4)%

23%

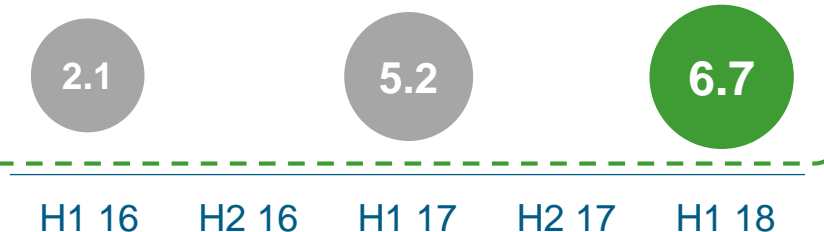
• Risk-adjusted income⁴ (\$bn)



11%

15%

• Underlying RoE⁵ (%)



H1 16

H2 16

H1 17

H2 17

H1 18

1. Includes income from Transaction Banking, Wealth Management, Mortgages & Auto and Deposits
2. Includes income from Lending and Portfolio Management, CCPL and Corporate Finance
3. Includes income from Financial Markets, Treasury and Others
4. Total income less total impairment
5. Excludes the UK bank levy that will be paid in H2 18



Andy Halford

Group Chief Financial Officer

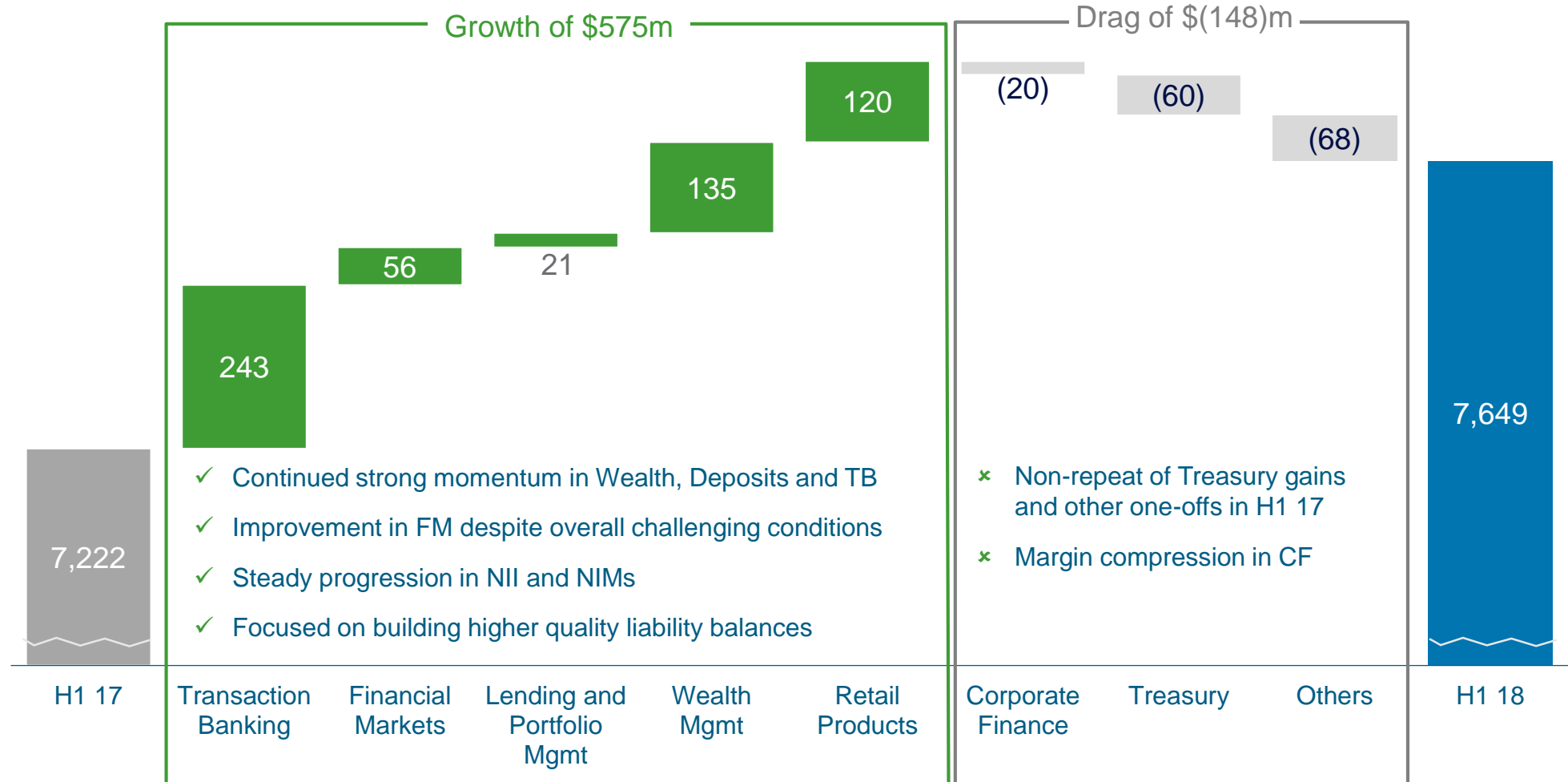
We have delivered an encouraging performance

(\$bn)	H1 18	HoH	YoY
	Better / (Worse) %		
Operating income	7.6	8	6
Other operating expenses	(4.5)	(1)	(7)
Regulatory costs	(0.6)	9	(7)
Operating profit before impairment	2.5	48	3
Credit impairment	(0.3)	53	50
Other impairment	(0.1)	40	39
Profit from associates	0.2	118	26
Underlying profit before tax¹	2.4	116	23
Restructuring	(0.1)	58	52
Other items	0.1	129	nm
Statutory profit before tax¹	2.3	255	34
Underlying EPS (cents)	44.9	251%	31%
Dividend per share (cents)	6.0	nm	nm
CET 1 ratio (%)	14.2	60bps	40bps
Underlying RoTE (%)	7.5	540bps	170bps
Underlying RoE (%)	6.7	480bps	150bps

- Income growth in line with medium-term guidance
- Pace and scale of investments have picked up
- Management actions driving lower impairment
- Resumed interim dividend at 6c a share
 - Improving performance
 - Strong organic capital growth
- Further improvement in RoE and RoTE

Broad-based improvement across products

Income up 6% YoY or 5% at constant currency (\$m)



All client segments are showing momentum

H1 2018	Income (\$bn)	Income YoY (%)	Profit before tax (\$bn)	Cost / income (%)	RWA (\$bn)	RoE ¹ (%)
Corporate & Institutional Banking	3.4	7	1.1	64	139	6.9
Retail Banking	2.6	9	0.6	72	43	13.0
Commercial Banking	0.7	7	0.1	65	33	3.9
Private Banking	0.3	12	0.0	101	6	(0.8)
Central & other items	0.6	(15)	0.5	47	51	3.7
Total Group	7.6	6	2.4	67	272	6.7

+8%
YoY

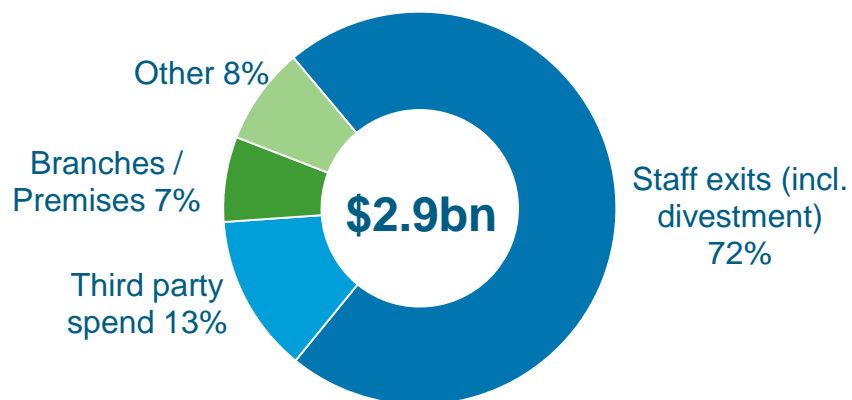
Strong performance in GCNA, improvement in ASA / EA

H1 2018	Income (\$bn)	Income YoY (%)	Profit before tax (\$bn)	Cost / income (%)	RWA (\$bn)
Greater China & North Asia	3.1	11	1.3	61	83
ASEAN & South Asia	2.1	6	0.6	66	96
Africa & Middle East	1.4	(1)	0.4	67	54
Europe & Americas	0.9	8	0.1	85	41
Central & other items	0.2	(14)	0.0	85	(2)
Total Group	7.6	6	2.4	67	272

+7%
YoY

\$2.9bn efficiency target achieved ahead of schedule

Sources of gross cost efficiencies since 2015

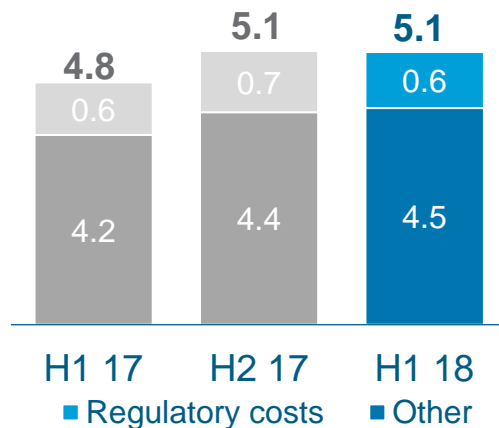


- Achieved \$2.9bn cost reduction target 6 months early
- Maintaining cost discipline to create investment capacity

Operating expenses, ex-UK bank levy (\$bn)

YoY cost increase breakdown:

FX	~2%
Investment	~1%
Other	~4%
Total	7%

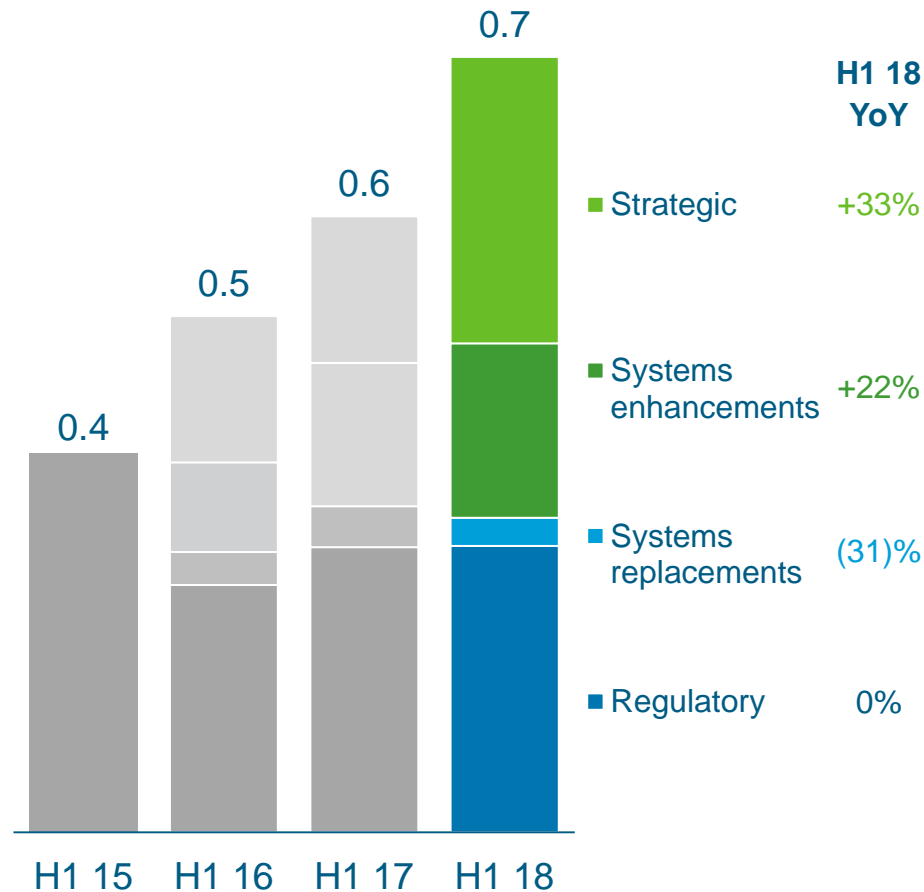


- Expenses up 7% YoY or 5% at constant currency
 - Accelerated investments to improve the business
 - Focusing on growth and digital initiatives
- Anticipate H2 18 expenses to be similar to H1 18¹
- Medium-term guidance for annual cost growth below inflation

The pace and scale of investment has picked up

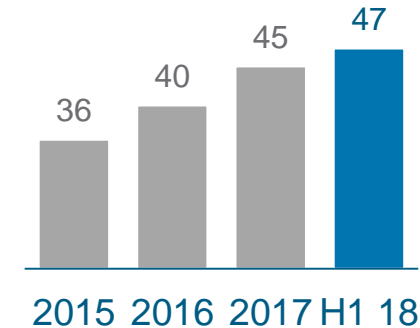
Cash investments (\$bn)

Up 10% YoY, with increased proportion in 'Strategic'



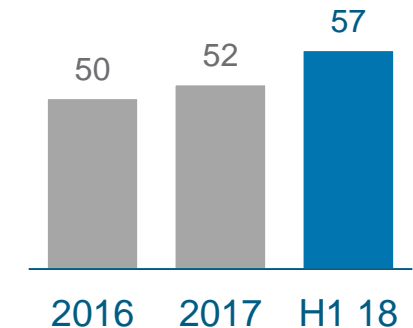
Retail Banking

Digitally active clients (%)



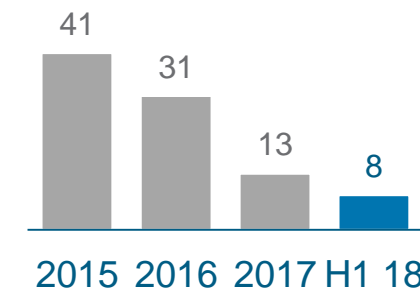
Commercial Banking

Active Straight2Bank clients¹ (%)



Corporate & Institutional Banking

Average time to on-board a client (days)

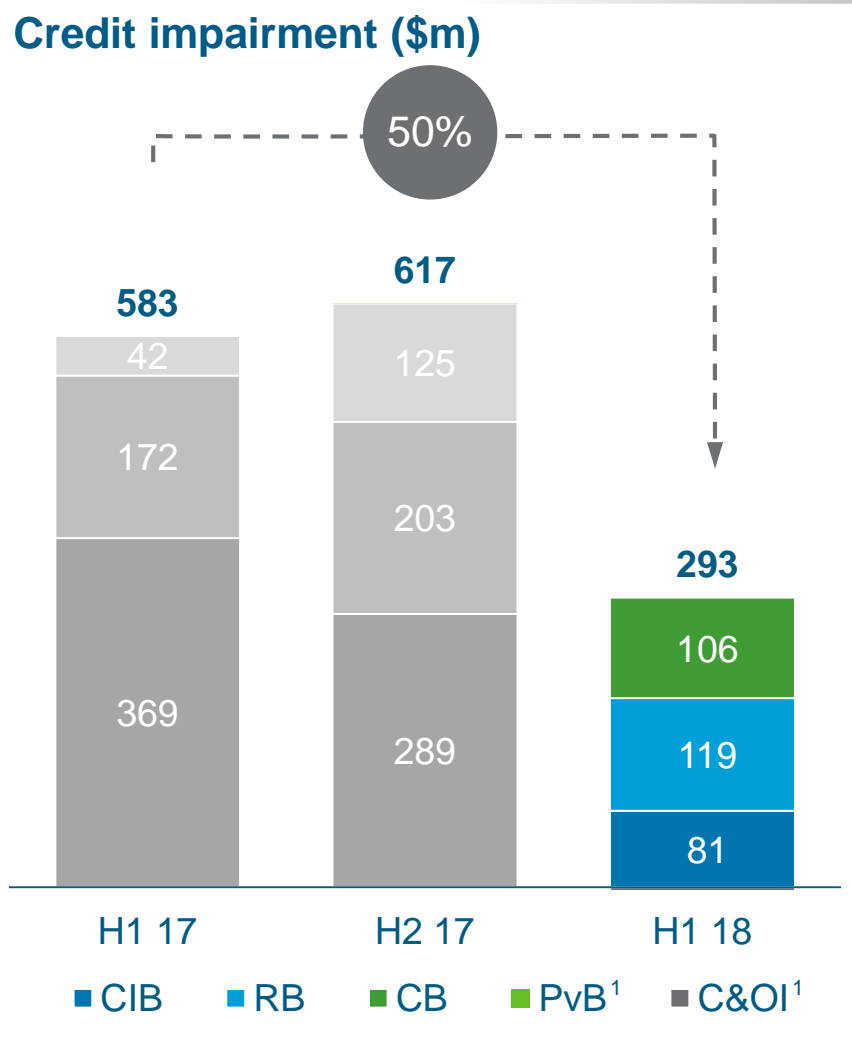


Instant account opening

Accounts opened via key digital initiatives in Retail Banking²

>60,000 accounts in H1 18

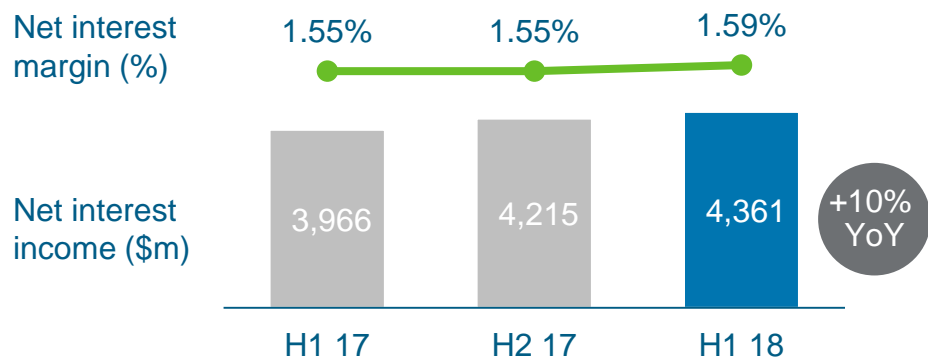
Credit quality overall continues to improve



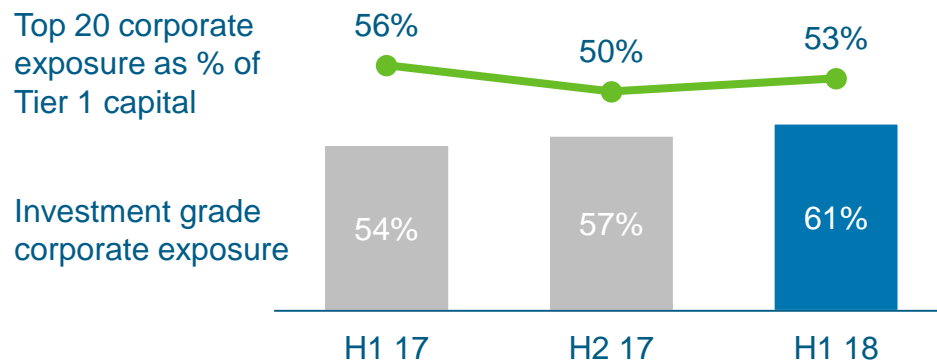
- Risk culture strengthened across the Group
- Management actions driving better credit quality:
 - Ongoing stage 3 / NPL down 6% HoH to \$6.2bn
 - Early alerts² down 21% and CG12² down 31% HoH
 - Proportion of investment grade exposures up to 61%
- Unusually low credit impairment in H1 18
 - 50% or \$290m reduction YoY:
 - ~1/3 relates to lower gross stage 3 provisions
 - ~2/3 relates to higher recoveries
- Remain vigilant as geopolitical uncertainties persist

Our balance sheet is more resilient, supporting growth

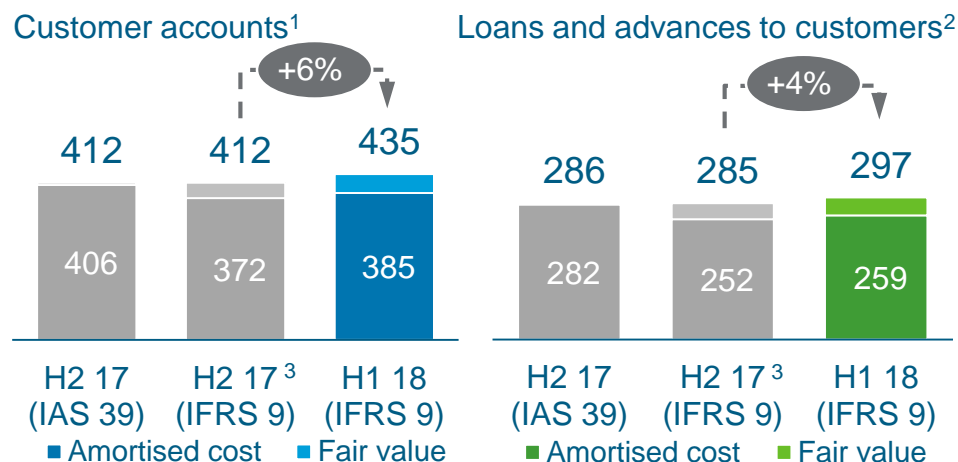
Net interest income improving



Corporate exposure more resilient



Broad-based balance sheet growth

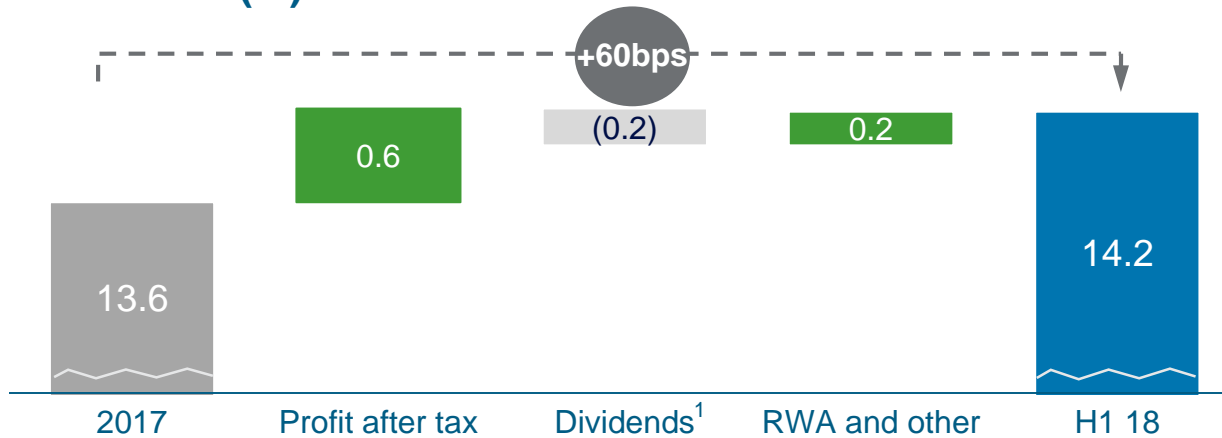


Focused on quality of deposits

	H1 18	H2 17	HoH
Liquidity coverage ratio (%)	151	146	↑
Advances to deposit ratio (%)	68.2	69.4	↔
CIB: Net OPAC to liabilities ⁴ (%)	49	48	↑
RB: Surplus liquidity ⁵ (\$bn)	31	27	↑
RB: CASA to total liabilities (%)	68	72	↓

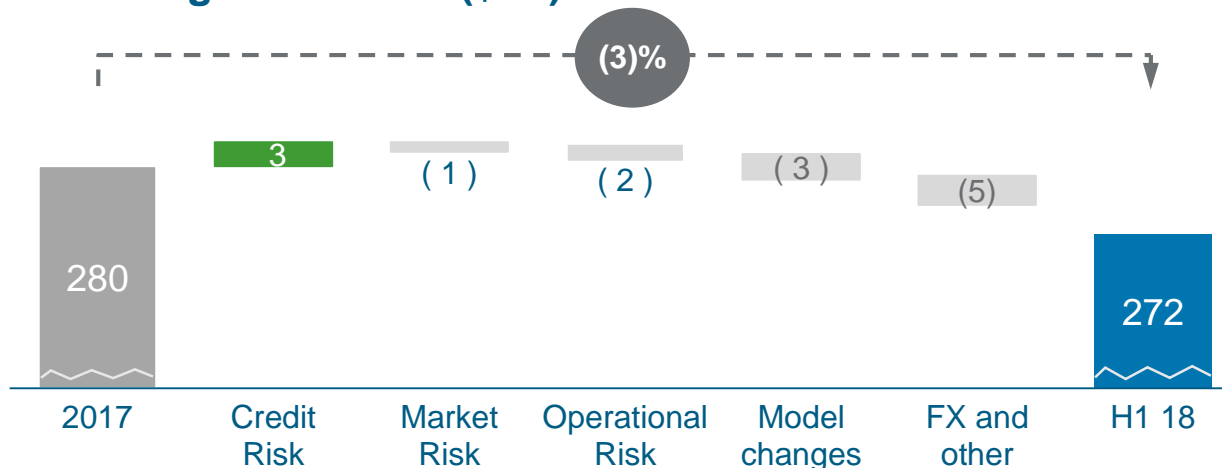
Organic capital growth is helping to reinforce our resilience

CET1 ratio (%)



- **CET1 +60bps from FY17 to 14.2%**
- Driven mainly by profit in the period and lower RWA

Risk-weighted assets (\$bn)



- **RWA down 3% from FY17 to \$272bn**
- Mainly due to lower operational and market RWA and FX translation
- Basel III finalisation subject to:
 - National discretion
 - Management actions

Concluding remarks

- Income growth in line with 5-7% medium term guidance
- Strong momentum in areas where we have invested to reinforce differentiation
- Continue to expect annual expenses to grow below inflation over the medium term
- Past actions on risk tolerances and focus on higher quality origination paying off
- Interim dividend resumed given improved performance and capital strength
- Confident strategy will deliver an RoE above 8% in the medium term



Bill Winters

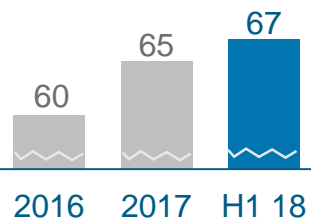
Group Chief Executive

RoE guidance supported by positive leading indicators

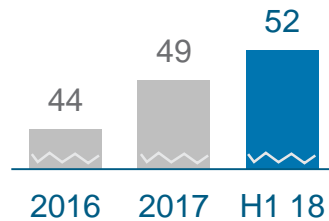
Corporate & Institutional Banking

RoE: 6.9% (+280bps YoY)

Network income¹ to total client income (%)



Non-financing income² to total client income (%)



- Network income plays to our differentiation
- Increasing mix from non-financing income

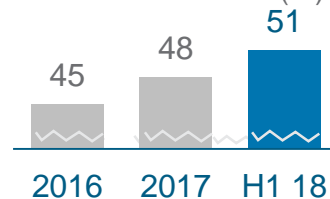
Commercial Banking

RoE: 3.9% (-150bps YoY)

Increase in new-to-bank clients



Non-financing income² to total client income (%)

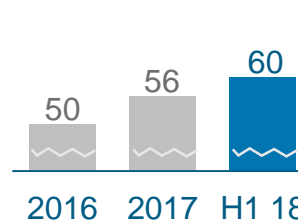


- NTB clients up 30% YoY, ~20% of NTB via client ecosystem
- Increasing mix from non-financing income

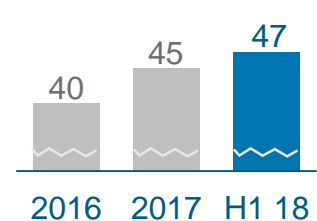
Retail Banking

RoE: 13.0% (+220bps YoY)

Wealth and Deposits income to total (%)



Digitally active clients (%)



- Distinctive propositions in Wealth Management
- Compelling digital capabilities driving adoption

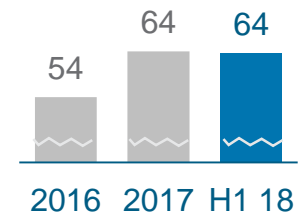
Private Banking

RoE: (0.8)% (-60bps YoY)

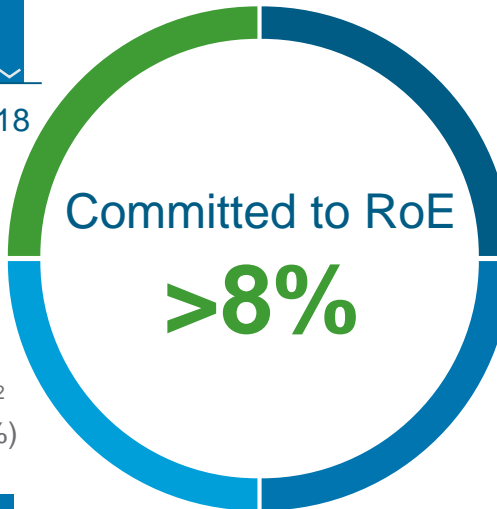
Net New Money (\$bn)



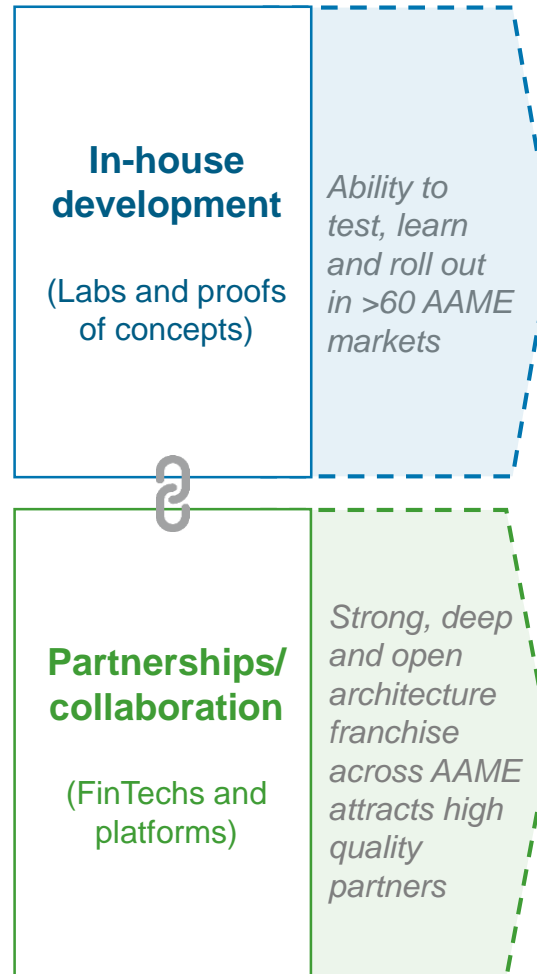
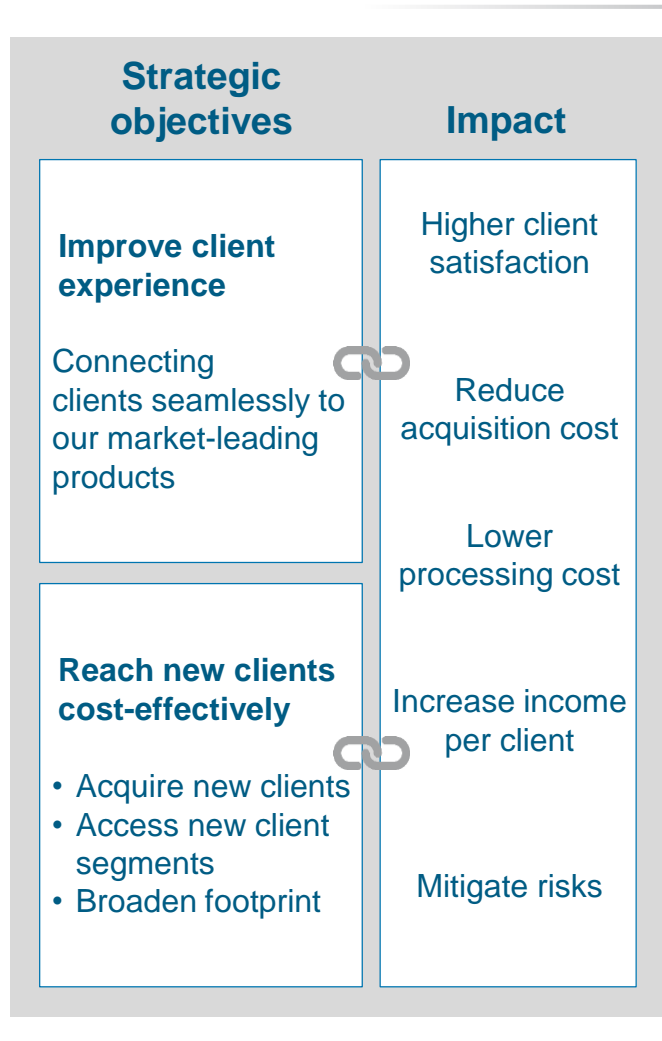
AUM (\$bn)



- Progress on investment programmes
- Supporting growth in client NNM and AUM



Digitally transforming our unique franchise



Progress, so far...

Innovating using existing capabilities

For example:

- **Côte d'Ivoire:** First fully digital bank
- **India:** Real-time onboarding; data analytics for Retail Banking
- **Singapore:** Robo-adviser for WM
- Rolling out award-winning **Straight2Bank NextGen** treasury portal in CIB and CB
- Launched **EQ Connect** and **FI Connect** platforms in Private Banking

Partnering with >50 third parties

For example:

- **Ant Financial** for cross-border remittance
- **Ripple** for cross-border payment
- **SoCash** for 400 ATM points in Singapore
- **PayKey** for any-app access in Korea
- Blockchain insurance with **IBM / AIG** in Kenya
- Working with multiple FinTechs on **AI** to enhance credit decisioning and broader risk monitoring

Investing in people, strengthening culture and values

Our culture is one of our core strengths

Our Purpose is what sets us apart

'My Voice' results show improved engagement

Embedding our shared valued behaviours

Never settle



Better together



Do the right thing



Renewed Liverpool (LFC) sponsorship



195+ million

LFC fans across our markets, raising brand awareness

Significant improvement

in brand awareness, consideration and favourability

100+ million

Awareness of **Seeing is Believing**, through LFC collaboration, deepening our community engagement

Strengthening our foundations in risk, control and conduct

Key risk priorities

- Strengthen the Group's risk culture
- Manage and improve information and cyber security
- Manage financial crime risks
- Strengthen our conduct environment
- Improve our compliance infrastructure
- Improve our efficiency and effectiveness

Our strategy around cyber security is focused on **four key investment priorities**



Protect

...and monitor our critical assets and endpoints from key threats such as malware and data leakage



Respond

Strengthen the Group's ability and resilience to 'detect, respond and recover' from breaches



Enable

...our digital transformation by embedding information and cyber security capabilities and employee compliance across the Group



Engage

...with industry experts to address information and cyber security risk. We are a founding member of the Cyber Defense Alliance

Solid macro fundamentals, but risks exist

Potential headwinds

- Escalating trade protectionism
- Policy uncertainty and geopolitical tensions
- Monetary policy normalisation / end of QE
- Sensitivity of economies to higher oil prices
- Currency pressure across emerging markets

Potential tailwinds

- Growth fundamentals remain solid
- Global investment and trade remain robust
- Commodity price recovery
- Strong employment across most economies
- Rising interest rates

Direct exposure to US-China trade

% of Group income from:

- Direct US-China corridor¹ ~1%
- Other potentially impacted corridors² ~1-2%

% of total Group income ~2-3%

Real GDP growth ³ (%)		2017	2018e	
GCNA	Hong Kong	3.8	3.8	↔
	China	6.9	6.5	↓
	Korea	3.1	2.8	↓
ASA	India	6.7	7.2	↑
	Indonesia	5.1	5.1	↔
	Singapore	3.6	3.2	↓
AME	Nigeria	0.8	2.4	↑
	UAE	0.8	2.6	↑
EA	UK	1.8	1.4	↓
	USA	2.3	2.7	↑

Further progress on the path to higher returns

- Solid start to the year
 - Improving financial performance
 - Digital and growth agendas advancing
 - Strengthened risk discipline improving returns
 - Capital and liquidity remain strong in the face of EM volatility
 - RoE improvement underpins resumption of interim dividend
- Client satisfaction and market shares improving
- Transformation to a high-performance culture accelerating
- Economic backdrop remains supportive but uncertainties persist

Q&A

Appendix:

Group financial analysis

Group financial summary

(\$m)	H1 18	H2 17	H1 17	HoH % ¹	YoY % ¹
Operating income	7,649	7,067	7,222	8	6
Other operating expenses	(4,479)	(4,429)	(4,170)	(1)	(7)
Regulatory costs	(638)	(702)	(599)	9	(7)
UK bank levy	-	(220)	-	n.m.	n.m.
Operating expenses	(5,117)	(5,351)	(4,769)	4	(7)
Pre-provision operating profit	2,532	1,716	2,453	48	3
Credit impairment	(293)	(617)	(583)	53	50
Other impairment	(51)	(85)	(84)	40	39
Profit from associates	168	77	133	118	26
Underlying profit before tax	2,356	1,091	1,919	116	23
Restructuring	(79)	(188)	(165)	58	52
Other items	69	(242)	-	129	n.m.
Statutory profit before tax	2,346	661	1,754	255	34
Taxation	(753)	(599)	(548)	(26)	(37)
Profit / (loss)	1,593	62	1,206	n.m.	32

Q2 18	Q1 18	Q2 17	QoQ % ¹	YoY % ¹
3,776	3,873	3,614	(3)	4
(2,313)	(2,166)	(2,101)	(7)	(11)
(335)	(303)	(290)	(10)	(15)
-	-	-	-	-
(2,648)	(2,469)	(2,391)	(7)	(11)
1,128	1,404	1,223	(20)	(8)
(102)	(191)	(385)	47	74
(27)	(24)	(31)	(13)	13
100	68	67	47	49
1,099	1,257	874	(13)	26
(9)	(70)	(110)	n.m.	n.m.
69	-	-	n.m.	n.m.
1,159	1,187	764	(2)	52

Operating income performance by product

(\$m)	H1 18	H2 17	H1 17	HoH % ¹	YoY % ¹	Q2 18	Q1 18	Q2 17	QoQ % ¹	YoY% ¹
Transaction Banking	1,840	1,732	1,597	6	15	924	916	812	1	14
Trade	589	604	593	(2)	(1)	285	304	296	(6)	(4)
Cash Management and Custody	1,251	1,128	1,004	11	25	639	612	516	4	24
Financial Markets	1,401	1,199	1,345	17	4	677	724	637	(6)	6
Foreign Exchange	530	446	497	19	7	280	250	272	12	3
Rates	298	246	289	21	3	121	177	127	(32)	(5)
Commodities	104	77	80	35	30	53	51	32	4	66
Credit and Capital Markets	193	175	201	10	(4)	87	106	82	(18)	6
Capital Structuring Distribution Group	147	123	156	20	(6)	92	55	74	67	24
Other Financial Markets	129	132	122	(2)	6	44	85	50	(48)	(12)
Corporate Finance	665	791	685	(16)	(3)	334	331	360	1	(7)
Lending and Portfolio Mgmt	278	239	257	16	8	141	137	122	3	16
Wealth Management	991	885	856	12	16	452	539	435	(16)	4
Retail Products	1,896	1,807	1,776	5	7	953	943	905	1	5
CCPL and other unsecured lending	696	683	684	2	2	345	351	340	(2)	1
Deposits	825	710	709	16	16	431	394	363	9	19
Mortgage and Auto	332	375	349	(11)	(5)	156	176	185	(11)	(16)
Other Retail Products	43	39	34	10	26	21	22	17	(5)	24
Treasury	628	455	688	38	(9)	338	290	339	17	(0)
Other	(50)	(41)	18	(22)	n.m.	(43)	(7)	4	n.m.	n.m.
Total operating income	7,649	7,067	7,222	8	6	3,776	3,873	3,614	(3)	4

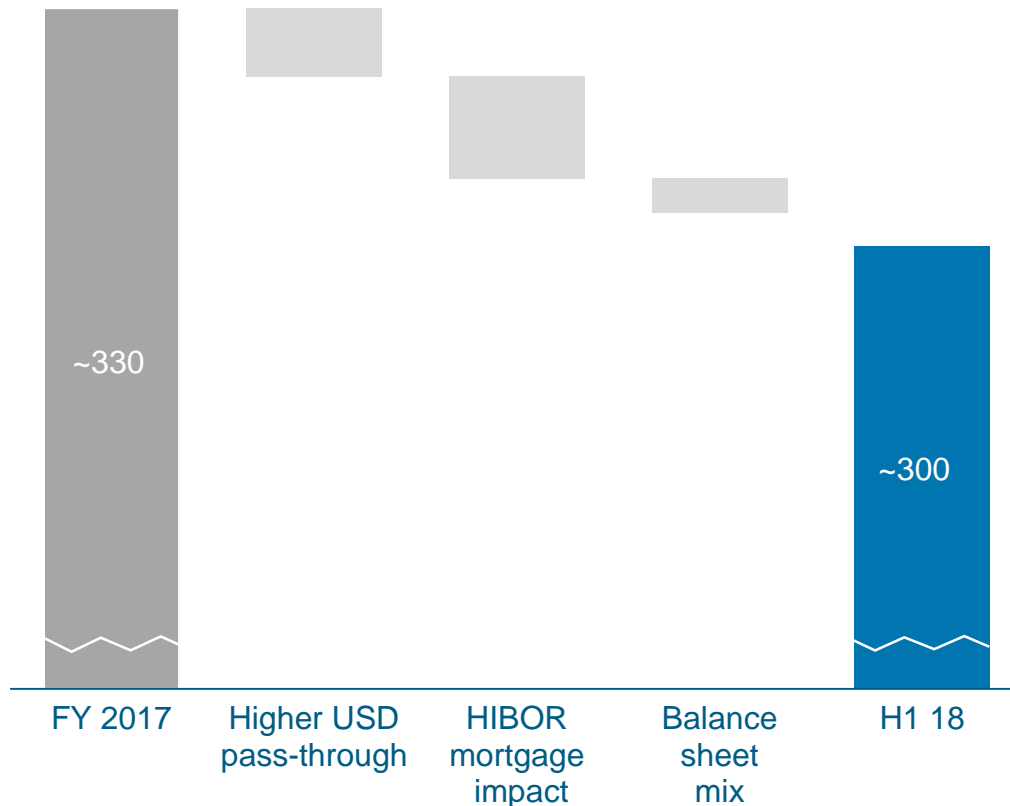
Ongoing business and liquidation portfolio

	30 Jun 2018 (IFRS 9)			1 Jan 2018 (IFRS 9)		
(\$m)	Ongoing business	Liquidation portfolio	Total	Ongoing business	Liquidation portfolio	Total
Gross loans and advances to customers ¹	263,056	1,579	264,635	255,591	2,248	257,839
Of which stage 1 and 2	256,885	22	256,907	249,048	22	249,070
Of which stage 3	6,171	1,557	7,728	6,543	2,226	8,769
Expected credit loss provisions ¹	(4,186)	(1,118)	(5,304)	(4,704)	(1,626)	(6,330)
Of which stage 1 and 2	(905)	-	(905)	(1,048)	-	(1,048)
Of which stage 3	(3,281)	(1,118)	(4,399)	(3,656)	(1,626)	(5,282)
Net loans and advances to customers ¹	258,870	461	259,331	250,887	622	251,509
Of which stage 1 and 2	255,980	22	256,002	248,000	22	248,022
Of which stage 3	2,890	439	3,329	2,887	600	3,487
Cover ratio of stage 3 loans before collateral (%)	53	72	57	56	73	60
Cover ratio of stage 3 loans after collateral (%)	76	90	79	78	88	81
Credit Grade 12 accounts (\$billion)	1,027	22	1,049	1,483	22	1,505
Early alerts (\$billion)	6,857	-	6,857	8,668	-	8,668
Investment grade corporate exposures (%)	61	-	61	57	-	57

Interest rate sensitivity

Estimate of NII sensitivity to instantaneous +50bps rise in interest rates across all currencies¹

Annualised benefit (\$m)



Interest rate sensitivity updated:

- Higher USD pass-through as hiking cycle matures
- Income upside on HK mortgages capped as HIBOR-based mortgages migrate to Prime
- Some migration from CASA to Time Deposit as clients respond to rising rates



Appendix:

Client segment financial analysis

Performance by client segment

H1 2018 (\$m)	CIB	Retail Banking	Commercial Banking	Private Banking	Central & other items	Total
Operating income	3,451	2,620	706	271	600	7,649
Operating expenses	(2,218)	(1,884)	(460)	(275)	(280)	(5,117)
Operating profit before impairment	1,233	736	246	(4)	321	2,532
Credit impairment	(81)	(119)	(106)	(1)	14	(293)
Other impairment	(59)	-	-	-	8	(51)
Profit from associates and joint ventures	-	-	-	-	168	168
Underlying profit / (loss) before tax	1,093	617	140	(5)	511	2,356
Statutory profit / (loss) before tax	1,020	613	139	(11)	585	2,346
H1 2017 (\$m)						
Operating income	3,218	2,396	660	242	706	7,222
Operating expenses	(2,123)	(1,723)	(427)	(243)	(253)	(4,769)
Operating profit before impairment	1,095	673	233	(1)	453	2,453
Credit impairment	(369)	(172)	(42)	-	-	(583)
Other impairment	(78)	-	(3)	-	(3)	(84)
Profit from associates and joint ventures	-	-	-	-	133	133
Underlying profit / (loss) before tax	648	501	188	(1)	583	1,919
Statutory profit / (loss) before tax	472	505	182	(2)	597	1,754
YoY% ¹						
Operating income	7%	9%	7%	12%	(15)%	6%
Underlying profit / (loss) before tax	69%	23%	(26)%	(400)%	(12)%	23%

Corporate & Institutional Banking

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	3,451	5	7
<i>Transaction Banking</i>	1,430	7	16
<i>Financial Markets</i>	1,248	17	4
<i>Corporate Finance</i>	616	(17)	(4)
<i>Lending and Portfolio Mgmt</i>	174	30	16
<i>Other</i>	(17)	n.m.	n.m.
Operating expenses	(2,218)	3	(4)
Credit impairment	(81)	72	78
Other impairment	(59)	34	24
Underlying profit before tax	1,093	78	69
Statutory profit before tax	1,020	98	116

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	143	9	14
Customer deposits	247	11	14
Risk-weighted assets	139	(6)	(3)
Underlying RoE (%)	6.9	320bps	280bps

Progress

- Completed on-boarding of over 100 'New 90' OECD clients, and delivered strong growth from the next generation of 'Next 100' clients
- Improved balance sheet quality, with investment-grade clients now representing 65 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)
- Proportion of low returning client risk weighted assets improved from 16.8 per cent in 2017 to 16.5 per cent
- Strong collaboration with Retail Banking continues with Employee Banking accounts from our clients up by 75,000

Performance highlights

- Underlying profit before taxation of \$1,093 million was up 69 per cent primarily driven by higher income and lower impairment, partially offset by higher operating expenses
- Underlying income of \$3,451 million was up 7 per cent primarily driven by growth in Cash Management and Financial Markets income which partially offset margin compression in Corporate Finance and Trade Finance
- Strong balance sheet momentum with loans and advances to customers and customer accounts growing by 14 per cent
- RoE has improved from 4.1 to 6.9 per cent

Retail Banking

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	2,620	7	9
<i>Greater China & North Asia</i>	<i>1,485</i>	<i>10</i>	<i>11</i>
<i>ASEAN & South Asia</i>	<i>712</i>	<i>7</i>	<i>12</i>
<i>Africa & Middle East</i>	<i>404</i>	<i>0</i>	<i>(1)</i>
<i>Europe & Americas</i>	<i>19</i>	<i>0</i>	<i>19</i>
Operating expenses	(1,884)	(1)	(9)
Credit impairment	(119)	41	31
Other impairment	-	100	n.m.
Underlying profit before tax	617	66	23
Statutory profit before tax	613	76	21

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	102	(2)	3
Customer deposits	132	2	7
Risk-weighted assets	43	(3)	(1)
Underlying RoE (%)	13.0	530bps	220bps

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
- Launched real time on-boarding in India, enabling straight-through current and savings account opening and a significantly improved customer experience
- There has been a further improvement in digital adoption, with 47 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 \$617 million was up 23 per cent with income growth and lower loan impairment offset by increased expenses
- Underlying income of \$2,620 million was up 9 per cent with growth of 11 per cent in Greater China & North Asia, and 12 per cent in ASEAN & South Asia, partially offsetting a 1 per cent decline in Africa & Middle East
- Strong momentum from Wealth Management and Deposits drove the improved income performance, more than offsetting continued margin compression across asset products
- RoE improved from 10.8 to 13.0 per cent from consistent income growth in focus areas such as Priority clients, Wealth Management and Deposits and continued low levels of loan impairment

Retail Banking

Regional performance

	Greater China & North Asia			ASEAN & South Asia			Africa & Middle East			Europe & Americas			Total		
(\$m)	H1 18	H2 17	H1 17	H1 18	H2 17	H1 17	H1 18	H2 17	H1 17	H1 18	H2 17	H1 17	H1 18	H2 17	H1 17
Operating income	1,485	1,349	1,335	712	667	635	404	403	410	19	19	16	2,620	2,438	2,396
Operating expenses	(972)	(954)	(885)	(559)	(571)	(514)	(338)	(324)	(314)	(15)	(13)	(10)	(1,884)	(1,862)	(1,723)
Credit impairment	(31)	(95)	(55)	(65)	(69)	(77)	(23)	(39)	(40)	-	-	-	(119)	(203)	(172)
Other impairment	-	(1)	-	-	-	-	-	-	-	-	-	-	-	(1)	-
Underlying profit before tax	482	299	395	87	27	44	43	40	56	4	6	6	617	372	501
Statutory profit before tax	481	291	394	83	26	47	43	26	58	4	6	6	613	349	505
(\$bn)															
Loans and advances to customers	67	68	65	28	28	27	6	6	6	1	-	-	101	103	98
Customer accounts	91	89	84	31	31	30	9	9	9	1	1	1	132	130	124
Risk-weighted assets	23	23	22	14	14	15	6	6	6	-	-	-	43	44	43

Commercial Banking

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	706	5	7
<i>Greater China & North Asia</i>	295	12	12
<i>ASEAN & South Asia</i>	263	0	9
<i>Africa & Middle East</i>	148	0	(4)
Operating expenses	(460)	(1)	(8)
Credit impairment	(106)	15	(152)
Other impairment	-	n.m.	100
Underlying profit before tax	140	49	(26)
Statutory profit before tax	139	60	(24)

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	29	2	7
Customer deposits	33	(3)	2
Risk-weighted assets	33	1	3
Underlying RoE (%)	3.9	130bps	-150bps

Progress

- On-boarded over 2,800 new clients, of which over 20 per cent came from our clients' international and domestic networks of buyers and suppliers
- Continued strengthening the foundations in credit risk management and improving asset quality. However, gross loan impairment remains elevated, partially offset by recoveries
- Straight2Bank utilisation increased by 10 per cent with 57 per cent of active Commercial Banking clients using the capability, up from 52 per cent in 2017²

Performance highlights

- Underlying profit before taxation of \$140 million was down 26 per cent impacted by higher impairments mainly in Africa & Middle East, partially offset by higher income in Greater China & North Asia
- Underlying income of \$706 million was up 7 per cent with broad-based growth from Transaction Banking, Financial Markets and Corporate Finance. Income was up 12 per cent in Greater China & North Asia, and up 9 per cent in ASEAN & South Asia, partially offsetting 4 per cent decline in Africa & Middle East
- Customer loans and advances grew by 7 per cent and customer accounts grew by 2 per cent
- RoE from Commercial Banking declined from 5.4 to 3.9 per cent largely due to higher impairments

Commercial Banking

Regional performance

	Greater China & North Asia			ASEAN & South Asia			Africa & Middle East			Total		
(\$m)	H1 18	H2 17	H1 17	H1 18	H2 17	H1 17	H1 18	H2 17	H1 17	H1 18	H2 17	H1 17
Operating income	295	263	264	263	262	242	148	148	154	706	673	660
Operating expenses	(198)	(193)	(193)	(160)	(160)	(144)	(102)	(101)	(90)	(460)	(454)	(427)
Credit impairment	(17)	32	(20)	(25)	(97)	(13)	(64)	(60)	(9)	(106)	(125)	(42)
Other impairment	-	-	(3)	-	-	-	-	-	-	-	-	(3)
Underlying profit / (loss) before tax	80	102	48	78	5	85	(18)	(13)	55	140	94	188
Statutory profit / (loss) before tax	79	101	45	78	2	83	(18)	(16)	54	139	87	182
(\$bn)												
Loans and advances to customers	15	14	13	9	9	9	5	4	4	29	28	27
Customer accounts	20	20	20	9	11	9	3	3	3	33	34	32
Risk-weighted assets	12	12	11	13	14	13	8	8	8	33	33	32

Private Banking

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	271	5	12
<i>Wealth Management</i>	170	10	18
<i>Retail Products</i>	101	(2)	3
<i>Other</i>	-	n.m.	n.m.
Operating expenses	(275)	(7)	(13)
Credit impairment	(1)	0	n.m.
Other impairment	-	n.m.	n.m.
Underlying profit before tax	(5)	n.m.	(400)
Statutory profit before tax	(11)	21	(450)

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	14	2	6
Customer deposits	20	(10)	(10)
Risk-weighted assets	6	5	6
Underlying RoE (%)	(0.8)	-90bps	-60bps

Progress

- Continued to strengthen our relationship management team by adding 15 senior frontline hires
- Leveraged our new open architecture platforms like Equity Structured Products and Fixed Income, and simplified processes to reduce client transaction time
- Targeted marketing of our investment philosophy and advisory capabilities to continue shift towards clients with more than \$5 million in assets under management

Performance highlights

- Underlying loss before taxation of \$5 million against a loss of \$1 million in prior period, with income growth offset by higher expenses
- Underlying income of \$271 million was up 12 per cent, with Wealth Management and Retail Products up 18 per cent and 3 per cent respectively
- Assets under management increased \$5 billion or 8 per cent driven by positive market movements, and \$1.6 billion of net new money
- RoE decreased from (0.2) to (0.8) per cent



Appendix:

Region financial analysis

Performance by region

H1 2018 (\$m)	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
Operating income	3,097	2,073	1,376	870	233	7,649
Operating expenses	(1,903)	(1,360)	(919)	(736)	(199)	(5,117)
Operating profit before impairment	1,194	713	457	134	33	2,532
Credit impairment	(17)	(138)	(70)	(68)	-	(293)
Other impairment	(44)	7	-	17	(31)	(51)
Profit from associates and joint ventures	156	7	-	3	2	168
Underlying profit / (loss) before tax	1,289	589	387	86	5	2,356
Statutory profit / (loss) before tax	1,263	677	346	84	(24)	2,346
H1 2017 (\$m)						
Operating income	2,791	1,964	1,387	809	271	7,222
Operating expenses	(1,759)	(1,250)	(887)	(680)	(193)	(4,769)
Operating profit before impairment	1,032	714	500	129	78	2,453
Credit impairment	(76)	(315)	(129)	(63)	-	(583)
Other impairment	(54)	(3)	(2)	-	(25)	(84)
Profit from associates and joint ventures	123	4	-	-	6	133
Underlying profit / (loss) before tax	1,025	400	369	66	59	1,919
Statutory profit / (loss) before tax	1,015	353	362	51	(27)	1,754
YoY%						
Operating income	11%	6%	(1)%	8%	(14)%	6%
Underlying profit / (loss) before tax	25%	49%	8%	30%	(92)%	23%

Performance by key markets

(\$m)	Income					Underlying profit / (loss) before tax				
	H1 18	H2 17	H1 17	HoH% ¹	YoY % ¹	H1 18	H2 17	H1 17	HoH% ¹	YoY % ¹
Hong Kong	1,849	1,714	1,670	8	11	828	724	662	14	25
Korea	534	464	503	15	6	132	(5)	139	n.m.	(5)
China	422	366	341	15	24	236	122	145	93	63
Singapore	845	686	733	23	15	267	34	151	n.m.	77
India	482	447	561	8	(14)	107	(14)	110	n.m.	(3)
UAE	357	356	377	0	(5)	68	27	88	152	(23)
UK	441	347	400	27	10	90	(43)	114	309	(21)
US	333	333	342	0	(3)	(17)	19	(44)	(189)	61

Greater China & North Asia

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	3,097	10	11
<i>Hong Kong</i>	1,849	8	11
<i>Korea</i>	534	15	6
<i>China</i>	422	15	24
<i>Other</i>	292	4	5
Operating expenses	(1,903)	1	(8)
Credit impairment	(17)	74	78
Other impairment	(44)	(63)	19
Profit from associates	156	47	27
Underlying profit before tax	1,289	41	26
Statutory profit before tax	1,263	31	24

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	133	5	10
Customer deposits	190	2	9
Risk-weighted assets	83	(2)	3

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 added more than 18,000 new Priority clients during the year and increasing our active qualified Priority clients by 14 per cent. In June we announced our intent to apply for a virtual bank licence in Hong Kong
- We have delivered a modest 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 \$1,289 million was 26 per cent higher with income growth and lower loan impairment partially offset by increased expenses
- Underlying income of \$3,097 million was 11 per cent higher, with broad-based growth across all markets and client segments particularly in Hong Kong and China
- Strong balance sheet momentum was sustained with loans and advances to customers up 10 per cent and customer accounts up 9 per cent

ASEAN & South Asia

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	2,073	11	6
<i>Singapore</i>	845	23	15
<i>India</i>	482	8	(14)
<i>Other</i>	746	1	11
Operating expenses	(1,360)	3	(9)
Credit impairment	(138)	59	56
Other impairment	7	178	333
Profit from associates	7	127	75
Underlying profit before tax	589	n.m.	47
Statutory profit before tax	677	n.m.	92

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	82	(1)	6
Customer deposits	95	0	2
Risk-weighted assets	96	(1)	(1)

Progress

- Broad-based income growth from portfolio reshaping in most markets, with double-digit growth in six markets
- Good progress on improving business mix, with cash liabilities growing by 6 per cent, and Wealth Management income and Global Subsidiaries income up 14 per cent each. In addition, we added around 5,000 new Priority clients during the year
- Rolled out several market-leading digital capabilities including real-time onboarding in India and automated individual client due diligence in Singapore

Performance highlights

- Underlying profit before taxation of \$589 million grew 47 per cent driven by lower impairments and income growth which was offset by continued investment in our strategic and regulatory agenda
- Underlying income of \$2,073 million was up 6 per cent driven by higher income across all segments and in eight out of twelve markets
- Client activity was positive with 6 per cent growth in loans and advances to customers and 2 per cent growth in customer accounts. Risk-weighted assets declined by 1 per cent from improved portfolio quality

Africa & Middle East

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	1,376	0	(1)
<i>Africa</i>	719	(4)	(2)
<i>UAE</i>	357	0	(5)
<i>Other Middle East</i>	300	10	8
Operating expenses	(919)	1	(4)
Credit impairment	(70)	59	46
Other impairment	-	n.m.	n.m.
Profit from associates	-	n.m.	n.m.
Underlying profit before tax	387	42	5
Statutory profit before tax	346	40	(4)

Progress

- Successfully launched digital-only bank in Côte d'Ivoire. On track to deliver digital solutions across more countries in Africa during 2018
- Improved risk profile through tighter underwriting standards, de-risking and higher coverage ratios leading to lower loan impairment levels

Performance highlights

- Underlying profit before taxation of \$387 million grew 5 per cent driven by a reduction in loan impairment
- Given the economic challenges in the region, underlying income of \$1,376 million was down 1 per cent. Middle East, North Africa and Pakistan delivered flat income while Africa was down 2 per cent
- Good performance in Transaction Banking and Wealth Management was offset by margin compression in Corporate Finance and Retail Products
- Loans and advances to customers were up 5 per cent and customer accounts grew 2 per cent

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	31	5	5
Customer deposits	32	(1)	2
Risk-weighted assets	54	(5)	(5)

Europe & Americas

Financial analysis

(\$m)	H1 18	HoH % ¹	YoY % ¹
Operating income	870	10	8
UK	441	27	10
US	333	0	(3)
Other	96	(14)	43
Operating expenses	(736)	(1)	(8)
Credit impairment	(68)	(55)	(8)
Other impairment	17	206	n.m.
Profit from associates	3	n.m.	n.m.
Underlying profit before tax	86	n.m.	30
Statutory profit before tax	84	n.m.	65

Key metrics (\$bn)	H1 18	HoH % ¹	YoY % ¹
Customer loans and advances	51	9	23
Customer deposits	118	20	18
Risk-weighted assets	41	(8)	2

Progress

- Good progress in improving the share of business from targeted multinational corporate clients, with income up 114 per cent and 14 per cent from 'New 90' OECD and 'Next 100' client initiatives respectively. We continue to diversify and selectively expand our client base in the region
- Focused on sustainably delivering higher returns through improved quality of income combined with risk-weighted assets optimisation. We continue to improve the quality of our funding base in London and New York and our network markets by increasing the proportion of operating account liabilities relative to our balance sheet size
- Broad-based growth across the region with a number of markets growing income at a double-digit rate. We are setting up our new subsidiary in Frankfurt to seamlessly serve European client base

Performance highlights

- Underlying profit before taxation of \$86 million up 30 per cent from income growth and lower impairments, offset by an increase in expenses as we invest in people, platforms and processes
- Underlying income of \$870 million was up 8 per cent driven by strong income in Transaction Banking partially offset by continued subdued Financial Markets performance, particularly in Foreign Exchange. Income generated by our clients booked elsewhere in the network grew by 12 per cent
- Private and Retail Banking income grew 15 per cent and 16 per cent respectively
- Loans and advances to customers were up 23 per cent and customer accounts rose 18 per cent

Appendix:

Central & other items

Central & other items



Central & other items (segment)

(\$m)	H1 18	HoH%	YoY%
Operating income	601	43	(15)
Underlying profit before tax	511	nm	(12)

- Income in Central & other items (segment) was 15 per cent lower impacted by the non-repeat of gains in Treasury primarily in India in the prior period
- Profit from associates and joint ventures of \$168 million reflected the continuing good performance of the Group's associate investment in China and a better performance by its joint ventures in Indonesia

Central & other items (region)

(\$m)	H1 18	HoH%	YoY%
Operating income	233	14	(14)
Underlying profit before tax	5	103	(92)

- Income in Central & other items (region) was 14 per cent lower impacted by lower Treasury Capital and other income
- Other impairment related primarily to transport leasing assets

Appendix:

Glossary

Glossary

Acronym / term	Explanation
AAME	Asia, Africa and the Middle East
ADR	Advances-to-deposits ratio
AI	Artificial intelligence
AME	Africa and the Middle East
AML	Anti-money laundering
API	Application programming interface
ASA	ASEAN & South Asia
AT1	Additional Tier 1 Capital
ATM	Automated Teller Machine
AUM	Assets under management
C&OI	Central and other items
CAGR	Compound annual growth rate
CASA	Current and savings account
CB	Commercial Banking
CCPL	Credit Cards, Personal Loans and other unsecured lending
CET1	Common Equity Tier 1 capital
CF	Corporate finance
CG12	Credit grade 12

Acronym / term	Explanation
CIB	Corporate & Institutional Banking
Cover ratio	Extent to which non-performing loans are covered by impairment provisions
Customer L&A	Customer loans and advances
EA	Europe & Americas
EM	Emerging markets
EPS	Earnings per share
FCC	Financial crime compliance
FM	Financial Markets
FSB	Financial Stability Board
GCNA	Greater China & North Asia
HoH	Half-on-half
IFRS	International Financial Reporting Standards
LCR	Liquidity coverage ratio
LI	Loan impairment
MTM	Mark-to-market
n.m.	Not meaningful

Acronym / term	Explanation
NII	Net interest income
NIM	Net interest margin
NPL	Non-performing loans
NTB	New-to-bank
OPAC	Operating account
PBT	Profit before tax
PvB	Private Banking
QoQ	Quarter-on-quarter
RB	Retail Banking
RM	Relationship Manager
RoE	Return on equity
RoRWA	PBT as a percentage of RWA
RoTE	Return on tangible equity
RWA	Risk-weighted assets
S2B	Straight2Bank
SME	Small and medium enterprises
TB	Transaction banking
WM	Wealth Management
YoY	Year-on-year

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