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STANDARD CHARTERED PLC
渣打集團有限公司

(Incorporated as a public limited company in England and Wales with registered number 966425)
(Stock Code: 02888)

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Standard Chartered PLC (the Group) today releases its results for the six months ended 30 June 2017.

Performance highlights

For the six months ended 30 June 2017

"We have had an encouraging start to 2017, making steady progress against our strategic objectives. Our increased profitability and improved asset quality over the last year reflect the success of this approach: we are stronger, leaner and becoming more efficient. We go into the second half of the year confident in our resilience and in our ability to generate better value for our clients and shareholders."
Bill Winters, *Group Chief Executive*

Financial performance summary

- Underlying income of $7.2bn was up 6 per cent year-on-year or 4 per cent excluding prior year Principal Finance losses
- Underlying expenses of $4.8bn were up 5 per cent year-on-year partly due to the flow through of prior-year investments
- Underlying loan impairment of $583m was down 47 per cent year-on-year reflecting the Group's improved risk profile
- Underlying profit before tax of $1.9bn was up 93 per cent year-on-year and 36 per cent excluding Principal Finance
- Restructuring charges of $165m in the first half take the total since November 2015 to $2.9bn
- Statutory profit before tax of $1.8bn was 82 per cent higher year-on-year
- Underlying basic earnings per share of 34.4 cents compared to 14.2 cents in the same period last year
- Underlying return on ordinary shareholders' equity of 5.2 per cent up from 2.1 per cent in the same period last year

Strengthened capital and improved liquidity position

- Common Equity Tier 1 ratio of 13.8 per cent was up 20 bps since year-end 2016 driven by profits in the period
- Additional Tier 1 capital of $1bn issued in January 2017
- Advances-to-deposits ratio of 67.5 per cent remained stable since year-end 2016
  - Loans and advances to customers were up 5 per cent with growth in Corporate Finance, Trade Finance and Mortgages
  - Customer accounts were up 5 per cent as the Group focused on generating higher quality liquidity
- No interim ordinary share dividend declared; the Board will review at the end of the year
- The Group already meets its expected minimum requirement for own funds and eligible liabilities ahead of 2022

Strategic progress

- Half-on-half income growth despite business exits and lower volatility in Financial Markets
- On track to deliver an additional $700m in planned gross costs efficiencies in 2017 and a further $400m in 2018
- Continuing to invest in areas of differentiation and to strengthen controls and processes
- Overall credit quality improved year-on-year and remained stable in the first half of 2017
- The Group is more resilient, with stronger capital and a highly liquid and diverse balance sheet

Summary and outlook

- Encouraging improvement in performance delivered in the first half
- The Group is now more efficient, better at managing risk, and its balance sheet quality has improved
- The economic environment has shown signs of improving although the geopolitical outlook remains uncertain
- The timing and eventual outcome of regulatory reforms to finalise banks' capital requirements remains unclear
- The Group is re-engaging with clients, improving productivity and investing in its people and culture
- The Group is focused on sustainably profitable income growth which is crucial to delivering better returns for shareholders

Unless another currency is specified, the word 'dollar' or symbol '$' in this document means US dollar and the word 'cent' or symbol 'c' means one-hundredth of one US dollar.

Those disclosures marked 'unaudited' are not within the scope of KPMG LLP's review report.

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

Within the tables in this report, blank spaces indicate that the number is not disclosed, dashes indicate that the number is zero and nm stands for not meaningful.

Standard Chartered PLC is headquartered in London. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock codes are: HKSE 02888; LSE STAN.LN; and BSE/NSE STAN.IN.

The information in this media release does not constitute the unaudited interim consolidated financial statements which are contained in the Interim Report 2017. The Interim Report 2017 was approved by the Board of Directors on 2 August 2017. The unaudited interim consolidated financial statements have been reviewed by the Group's auditor, KPMG, in accordance with the guidance contained in the International Standard on Review Engagements (UK and Ireland) 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. The full report of its review, which was unmodified, is included in the Interim Report 2017.

Summary of results

For the six months ended 30 June 2017

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Underlying performance[1]			
Operating income	**7,222**	6,998	6,810
Operating expenses	**(4,769)**	(5,441)	(4,534)
Impairment losses on loans and advances and other credit risk provisions	**(583)**	(1,286)	(1,096)
Other impairment	**(84)**	(170)	(213)
Profit before taxation	**1,919**	99	994
Return on ordinary shareholders' equity (%)	**5.2**	(1.6)	2.1
Cost to income ratio (%)	**66.0**	77.8	66.6
Statutory performance			
Operating income	**7,221**	7,055	7,005
Operating expenses	**(4,870)**	(5,667)	(4,544)
Impairment losses on loans and advances and other credit risk provisions	**(655)**	(1,495)	(1,296)
Goodwill impairment	**–**	(166)	–
Other impairment	**(93)**	(217)	(220)
Profit/(loss) before taxation	**1,754**	(554)	963
Profit/(loss) attributable to parent company shareholders	**1,196**	(827)	580
Profit/(loss) attributable to ordinary shareholders[2]	**971**	(943)	465
Return on ordinary shareholders' equity (%)	**4.5**	(4.2)	2.1
Net interest margin (%)	**1.6**	1.5	1.6
Cost to income ratio (%)	**67.4**	80.3	64.9
Balance sheet and capital			
Total assets	**657,638**	646,692	660,989
Total equity	**51,362**	48,658	48,821
Loans and advances to customers[3]	**268,898**	255,896	265,874
Customer accounts[3]	**398,338**	378,302	371,698
Total capital	**58,335**	57,438	57,166
Common Equity Tier 1 ratio (%)	**13.8**	13.6	13.1
UK leverage ratio (%)	**6.0**	6.0	N/A

	Cents	Cents	Cents
Information per ordinary share			
Earnings per share – underlying	**34.4**	(10.8)	14.2
– statutory	**29.5**	(28.7)	14.1
Net asset value per share	**1,356.7**	1,307.8	1,371.9
Tangible net asset value per share	**1,203.5**	1,163.9	1,225.8

1 A reconciliation between underlying and statutory results is set out in the Group Chief Financial Officer's Review

2 Profit/(loss) attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity

3 Includes balances held at fair value through profit or loss

Chairman's statement

The Group has delivered an improved financial performance in the first half of the year in many respects, resulting in significantly higher profitability compared to the same period in 2016. The foundations of the Group are now much stronger following the actions we have taken to execute on our strategy that were outlined in November 2015. We have a strong and liquid balance sheet and are becoming more efficient, as well as investing in our technological capacity and improving the management of risks.

As I said in the 2016 Annual Report, there are no shortcuts on the Group's journey. It takes time to deliver fundamental change in any complex organisation and although the early results of our refreshed strategy continue to be encouraging, there is still much work to be done to realise our full potential. Generating sustainably higher returns will require us to continue to invest in operational improvements, the benefits of which include making it easier for clients to do business with us. This in turn will facilitate further income growth.

Culture and engagement

How we act and behave consistently as a Group, both internally with each other and externally with our clients and our communities will help determine how much of the Group's huge potential value we can unlock for investors over the longer term.

While I believe the culture of the Group has always been one of its strengths and is one of the reasons I wanted to join the organisation, it was undoubtedly tested during what was a difficult period in recent years. I get the clear sense in speaking to colleagues that the confidence and optimism that is justified by being part of what is still a unique franchise operating in exciting markets is now tangibly returning – but we have to accelerate that momentum. We are doing that by setting the tone clearly from the top, as we explained in our recent Annual Report, to create an environment where employees across a diverse set of nationalities have a fair, safe and inclusive place to work that encourages accountability, collaboration, and continuous improvement. We have an obligation as leaders of the Group to demonstrate that it is not only acceptable, but expected, that employees challenge constructively where they are concerned about anything or can see room for potential improvement.

In support of this, we are progressing with a Group-wide review of our brand and culture. We have worked with colleagues and our clients to understand what is truly special about our bank and also what they find frustrating. The Management Team is crafting a programme to leverage the former and address the latter. We are convinced this will help drive the performance improvements we seek in a safe and sound manner, while ensuring we always do the right thing for our clients and other stakeholders. Our Brand, Values and Conduct Committee will track the progress of this initiative with clear metrics and measures.

The Group's network

I am investing much of my time exploring the Group's diverse footprint, hearing first hand from clients, colleagues and local policy makers where they think we are differentiated, what we do well and where we still need to improve.

This has given me plenty of evidence that we are making progress against our priorities and objectives in each of our four regions. One that has been in particularly sharp focus in the period geopolitically is Greater China & North Asia. We remain vigilant concerning the possibility of tensions escalating in the Korean peninsula, but for the Group, with its unique position in the region, it remains an area of considerable potential and opportunity, as reflected in its strong performance in the first half of the year.

For example, on my second trip to China with the Group this year, I attended the Belt and Road Forum in Beijing where China's long-term commitment to opening up and its desire to participate more fully in the global economy were discussed in great detail. The principles behind the initiative represent an encouraging counterpoint to the increased anti-globalisation rhetoric and threat of protectionism we have all seen recently. If future projects are well designed and executed transparently and ethically and with due regard to sustainability, the Belt and Road initiative has the potential to be a major force for globalisation. We were among the first banks to react, using our expertise and presence in many of the countries in and around the Belt and Road corridors – probably the broadest coverage of any international bank – to help our clients.

As you will read later in this report, elsewhere in our network there has been steady progress in our larger markets in ASEAN & South Asia, and a significant improvement in loan impairment and income quality in Africa & Middle East despite conditions that overall remained challenging. In Europe & Americas the initiatives to grow and broaden our Corporate & Institutional Banking client base are gaining traction.

Dividend

The Board has decided not to declare an interim dividend on ordinary shares. The Board recognises the importance of dividends to shareholders. While it is encouraged by the increase in profitability in the first half of the year the Board is mindful that more clarity may emerge over the coming months regarding current regulatory uncertainties, including the capital implications of the finalisation of Basel III and the implementation of IFRS 9. The Board will consider at the end of the year whether it is appropriate to recommence the payment of a dividend.

Fighting financial crime

The fight against financial crime remains a top priority for the Group. As we indicated at the time of the full year 2016 results, we have agreed with the New York State Department of Financial Services (DFS) the terms of a Supplemental Consent Order that will extend the duration of our DFS monitorship until the end of 2018. The DFS has recognised that we have made substantial progress toward remediating the issues identified in the 2012 and 2014 Consent Orders. However, there is more to do and we will continue to work closely with the monitor to strengthen further our financial crime compliance program.

Remediation aside, we are strongly committed to being at the forefront of the fight against financial crime and to making a real difference in that endeavour. The Financial Stability Board reported recently to the G20 on the continued decline in the number of global correspondent banking relationships and the threat this poses to the ability of emerging market and developing economies to access the international financial system. Our Correspondent Banking Academy initiative, in which we help our correspondent banking clients strengthen their anti-money laundering capabilities, mitigates this threat as it is designed to maintain financial inclusion while enhancing the security of the financial system.

Governance update

In July we announced changes to the Board. Dr Kurt Campbell stepped down after four years and, on behalf of the Board, I thank him for his many and substantial contributions. Dr Ngozi Okonjo-Iweala will be joining the Board from 1 November 2017. Her extensive experience and knowledge of African and emerging markets in many fields including economics and development finance will provide significant insight and value.

The tenure of the Group's current external auditors is nearing its end. The Audit Committee will be starting a process in the second half of the year to identify their successors, to take effect from and including the year ending 31 December 2020.

Conclusion

As Group Chief Executive Bill Winters will elaborate upon later in this report, the external operating environment has shown some signs of improvement in the first half as expected, but in other respects, the pace and extent of recovery remains uncertain. Meanwhile, the geopolitical outlook is mixed and competition remains strong in most of our markets. Against that backdrop, we are basing our decisions concerning the continued turnaround of the Group's performance on what will deliver improved and sustainable long-term value to shareholders, and then executing these decisions rapidly.

I will celebrate my one-year anniversary at the Group in October. It has been an exhilarating experience so far and a lot has changed even in that short time, both internally and externally. But what has not changed is the potential to generate long-term shareholder value by unlocking the inherent opportunities present in our markets. I am looking forward to working with my colleagues on the Board as well as Bill and his Management Team to help the Group to do just that.

José Viñals
Chairman

2 August 2017

Group Chief Executive's review

We have had an encouraging start to 2017, in which we have re-engaged with our clients, continued to invest in our people and culture, and made steady progress against our strategic objectives.

We are well capitalised, highly liquid and are becoming stronger, leaner, and more efficient. This has enabled us to focus more effectively on profitable income growth opportunities. The Group's return on equity rose to 5.2 per cent in the first half, up from 2.1 per cent in the same period last year. Although we still have a long way to go, we are headed in the right direction.

Reclaiming our strengths

Having substantially secured our financial foundations we are working to re-establish a culture of excellence in everything we do. The Group has a strong tradition of quality and innovation, and while we lost some of that focus in recent years we are taking steps to reclaim it. The early signs are promising.

- We are moving at pace to embed a swifter, more flexible approach to improving productivity and delivering a better experience for our clients. Colleagues are regaining the confidence to act quickly as they develop and implement real improvements. For example, our client on-boarding turnaround time in Corporate & Institutional Banking has almost halved
- We have entrusted greater responsibility for decision-making to our regional and country management teams. This is working well across our footprint, particularly in Korea and China where our teams have combined a fresh approach with deep local knowledge to deliver substantially improved profitability
- Investment in India and Singapore is supporting the local teams' efforts to recapture market share, while digital initiatives across South Asia and Africa will further increase our competitiveness

Business performance progressing

There has been progress in each of our regions during the first half. Greater China & North Asia has performed particularly well, underpinned by 8 per cent year-on-year income growth in Hong Kong with an encouraging performance across the rest of the region.

The Group as a whole remains on course to deliver its cost efficiency commitments, focusing on improving productivity while reducing expenses. Every client segment and region is operating with a clear plan to build on the progress made in 2016 and improve returns.

The team's efforts to restructure our **Corporate & Institutional Banking** business for higher returns are progressing well and we are working hard to address the remaining challenges.

- We continue to attract talent and key hires in the first half are helping us accelerate the process of re-engaging with our existing clients and broadening our focus to deliver our unique emerging markets capabilities globally
- We are developing relationships with new clients in rapidly evolving sectors such as technology, services and consumer goods. These clients are utilising our non-financing capabilities, improving our return on deployed capital over time
- Improving conditions in capital markets and a pick-up in infrastructure investment in some areas have resulted in a healthy pipeline in Corporate Finance, where our strength in arranging complex cross-border financing structures is proving a competitive advantage
- We have continued to develop our international renminbi capabilities. This positions us well for all cross-border activity, including the recent strategically important Bond Connect initiative to facilitate foreign investors' access to the domestic bond market
- We are investing in our Africa franchise, emphasising its role as a key component of our network offering for international corporate clients
- High liquidity combined with low volatility has suppressed activity in Financial Markets. Our new leadership team is now in place and focused on reducing dependence on market volatility by building and growing in the areas where we are strongest, including in the local markets in which we operate

We continue to make steady progress in repositioning the **Retail Banking** business to attract more affluent clients in core cities across our footprint. Our significant investment in our digital capabilities is helping to support this, whilst also strengthening our control environment and facilitating growth by improving the range and quality of our online products and services. These investments suppress profits in the short-term but they are critical for our long-term success and are already beginning to have a real impact.

- Our focus on Priority and emerging affluent clients has increased the proportion of income we derive from this segment from 27 per cent in 2014 to 44 per cent in the first half of 2017, and has helped drive Wealth Management income up 19 per cent year-on-year
- We were the first bank to offer video banking in Hong Kong, and our clients in China can now invest in mutual funds via their mobile devices. These and other innovations have led to material growth in new account opening, account activation and account transaction volumes
- While the Personal segment has not kept pace with market growth rates, the investments we are making will enable us to cover those clients more effectively and efficiently. We are already increasing digital sales as well as driving higher online and mobile client adoption rates

Commercial Banking remains an important part of our business, addressing the needs of a vital and dynamic segment of the economies in which we operate. We can deliver significantly improved returns, and after extensive work to strengthen and de-risk the business it is now operating with lower loan impairment and an improving cost base.

- We have largely completed the upgrading of our risk management processes, tools and analytical capabilities
- We are attracting clients who value our strong cross-border capabilities and are in many cases part of the supply or distribution chains of our Corporate & Institutional Banking clients
- Commercial Banking clients are proving a strong source of cross-referrals to our Employee Banking and Private Banking services

The new management team in **Private Banking** is making strategic investments in people and systems which will enable us to fulfil our natural franchise potential across our markets. We have sharpened our focus on performance in recent years and substantially upgraded our team of relationship managers. Our refreshed approach is the right one and will result in a stronger business.

Continuing the fight against financial crime

Playing our part in the fight against financial crime is an important responsibility. We continue to invest in our processes and systems, and are working hard to ensure all our staff are fully engaged. I am pleased to report that we recently received, for the third consecutive year, a FinCEN Law Enforcement Award recognition letter for Standard Chartered's substantial contributions to significant criminal prosecutions.

As the risks evolve, we are exploring and testing new control solutions. We recently created a dedicated Cyber Financial Intelligence team in the US that aims to identify, analyse, prevent and report cyber-enabled and cyber-dependent financial crime. We are working in partnership with regulators, law enforcement and other global banks on potentially transformational initiatives to detect and disrupt illicit financial flows. Ultimately, making the financial system a hostile place for financial crime is not only the right thing to do, it is a key differentiator and a cornerstone of our future success.

Macro environment

For the past 18 months the global economic environment has been subdued but relatively stable. Recent indicators have turned more positive. Trade volumes are recovering, defying concern about an increase in trade frictions and protectionism, and interest rates have begun to normalise.

Nevertheless, business confidence remains fragile across much of our footprint. Loan demand has been subdued. Geopolitical uncertainty persists and we continue to monitor our portfolios for emerging risks. Meanwhile, the wide range of potential outcomes to the ongoing regulatory reforms to banks' capital requirements and the timeline for their resolution remain unclear.

Against this mixed backdrop, we remain committed to investing in our core businesses and to supporting our clients.

Conclusion

We began the year with a strong balance sheet but under-delivering earnings relative to our potential. The last six months have seen earnings improve significantly but we are still at an early stage. We are now focused relentlessly on building sustained income growth with existing and new clients and are working hard to optimise the internal environment to achieve that. The external environment remains uncertain but the actions we have taken mean we go into the second half of the year confident in our resilience and in our ability to generate better value for our clients and for our shareholders.

Bill Winters
Group Chief Executive

2 August 2017

Group Chief Financial Officer's review

The performance commentary that follows is on an underlying basis unless otherwise stated. A reconciliation between underlying and statutory results is set out later in the document.

The Group has delivered an encouraging improvement in financial performance in the first half of 2017 with profit for the period almost doubling year-on-year, albeit with the benefit of lower losses in Principal Finance. Although there is a lot more to do the actions taken to execute the strategy outlined in November 2015 mean the Group is now more efficient, better at managing risk, and its balance sheet quality has improved.

- Operating income of $7.2 billion was 6 per cent higher year-on-year and 3 per cent higher half-on-half. Excluding Principal Finance where gains and losses in 2017 are treated as restructuring and therefore excluded from the Group's underlying performance, operating income was 4 per cent higher year-on-year and 2 per cent higher half-on-half
- Operating expenses of $4.8 billion were up 5 per cent year-on-year but were down 6 per cent half-on-half excluding the impact of the UK bank levy. Increases in expenses in the second half of last year related to the net effect of the timing of investments, higher staff costs and business efficiencies
- Loan impairment of $583 million was down 47 per cent year-on-year and 55 per cent half-on-half. As anticipated second quarter loan impairment was higher than in the first quarter which was particularly low. Overall credit quality has improved year-on-year though stresses remain in some areas
- Other impairment of $84 million related to impairment against leasing assets and was around half the level seen in both the first and second half of 2016
- Profit from associates and joint ventures of $133 million represents a significant improvement both year-on-year and half-on-half and reflects the better performance of the Group's joint venture in Indonesia and a higher contribution from its associate investment in China
- Underlying profit before tax of $1.9 billion was 93 per cent higher year-on-year and 36 per cent higher excluding Principal Finance
- The Group incurred restructuring charges of $165 million in the first half. Restructuring charges since November 2015 are $2.9 billion and it remains the Group's expectation they will total around $3 billion once complete
- As a result statutory profit before tax of $1.8 billion was 82 per cent higher year-on-year
- The Group's Common Equity Tier 1 ratio of 13.8 per cent increased by 20 basis points since 31 December 2016 reflecting primarily profits in the first half
- Return on equity of 5.2 per cent is a significant improvement on 2.1 per cent in the same period in 2016
- The Board has decided not to declare an interim dividend on ordinary shares and will review its position on the dividend at the end of the year

Performance summary

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Operating income	**7,222**	6,998	6,810	3	6
Operating expenses	**(4,769)**	(5,441)	(4,534)	12	(5)
Operating profit before impairment losses and taxation	**2,453**	1,557	2,276	58	8
Impairment losses on loans and advances and other credit risk provisions	**(583)**	(1,286)	(1,096)	55	47
Other impairment	**(84)**	(170)	(213)	51	61
Profit/(loss) from associates and joint ventures	**133**	(2)	27	nm	nm
Underlying profit before taxation[1]	**1,919**	99	994	nm	93
Restructuring	**(165)**	(740)	(115)	78	(43)
Other items	**–**	87	84	nm	nm
Statutory profit/(loss) before taxation	**1,754**	(554)	963	nm	82
Taxation	**(548)**	(262)	(338)	nm	(82)
Profit/(loss) for the period	**1,206**	(816)	625	nm	93
Underlying return on equity (%)	**5.2**	(1.6)	2.1		
Return on equity (%)	**4.5**	(4.2)	2.1		
Net interest margin (%)	**1.6**	1.5	1.6		
Underlying earnings/(loss) per share (cents)	**34.4**	(10.8)	14.2		
Earnings/(loss) per share (cents)	**29.5**	(28.7)	14.1		
Common Equity Tier 1 (%)	**13.8**	13.6	13.1		

1 A reconciliation between underlying and statutory results is set out in restructuring and other items below

Operating income

Operating income of $7.2 billion in the first half of 2017 was up 6 per cent year-on-year and 3 per cent half-on-half. Excluding Principal Finance income was up 4 per cent year-on-year and 2 per cent half-on-half.

Overall, the Group has seen encouraging momentum in liability-led businesses including Cash Management, Wealth Management and Deposits across all locations, particularly Greater China & North Asia. This together with higher income from Asset and Liability Management has more than offset the impact of lower volatility in Financial Markets as well as lower income following the Group's decision in 2016 to exit Retail Banking in Thailand and the Philippines.

The Group's net interest margin was broadly stable compared to 2016 and the impact of US interest rate increases was as expected. Improvement in liability margins offset continued pressure on asset margins as we focused on generating higher quality liquidity and selectively adding new clients within tighter risk appetites.

Further details can be found in the operating and financial review.

Operating expenses

Operating expenses of $4.8 billion were up 5 per cent year-on-year but were down 6 per cent half-on-half excluding the impact of the UK bank levy. Increases in expenses in the second half of last year related to the net effect of the timing of investments, higher staff costs and business efficiencies.

The Group is on track to deliver an additional $700 million in gross cost efficiencies in 2017 and a further $400 million in 2018 that will fund further investments.

The Group currently estimates the UK bank levy in 2017 will be approximately $400 million. It is the Group's expectation that expenses in 2017 will be at a similar level to expenses in 2016, excluding the UK bank levy.

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Staff costs	**2,920**	2,918	2,658	–	(10)
Premises costs	**360**	377	363	5	1
General administrative expenses	**548**	843	626	35	12
Depreciation and amortisation	**342**	339	341	(1)	–
Other operating expenses	**4,170**	4,477	3,988	7	(5)
UK bank levy	**–**	383	–	nm	nm
Regulatory costs	**599**	581	546	(3)	(10)
Total operating expenses	**4,769**	5,441	4,534	12	(5)
Staff numbers (period end)	**87,101**	86,693	84,477		
Cost to income ratio (%)	**66.0**	77.8	66.6		
Statutory cost to income ratio (%)	**67.4**	80.3	64.9		

Loan impairment

Loan impairment of $583 million was around half the level seen in both the first and second half of 2016. Excluding Principal Finance losses loan impairment was down 41 per cent year-on-year and 54 per cent half-on-half following a particularly low first quarter.

Corporate & Institutional Banking loan impairment was down significantly both year-on-year and half-on-half benefiting from past management actions to improve the risk profile of the segment. Retail Banking loan impairment benefited from actions taken to reduce exposures in higher risk unsecured portfolios and improvement in the quality of new originations.

Loan impairment by client segment and region is covered in more detail in the operating and financial review and the risk review.

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Corporate & Institutional Banking	**369**	795	606	54	39
Retail Banking	**172**	247	242	30	29
Commercial Banking	**42**	244	247	83	83
Private Banking	**–**	–	1	–	nm
Impairment losses on loans and advances and other credit risk provisions	**583**	1,286	1,096	55	47
Loan impairment/loan book (bps)	**44**	99	85		

Ongoing business and liquidation portfolio

Gross non-performing loans (NPLs) in the ongoing business of $6.3 billion and credit grade 12 accounts of $1.3 billion were in aggregate slightly higher compared to 31 December 2016. The movements between them primarily reflected the downgrade of a small number of Corporate & Institutional Banking clients that had been monitored for an extended period of time and no new areas of stress have been highlighted.

The cover ratio of NPLs in the ongoing businesses reduced slightly from 69 per cent to 67 per cent but after including collateral was stable at 73 per cent.

Gross NPLs in the liquidation portfolio were $188 million lower and the Group continues to take action to exit weaker credit or lower returning clients in the ongoing business.

The Group's exposures remain well diversified and the Group continues to selectively add new clients within tighter risk appetites.

Overall credit quality has improved year-on-year and remained stable through the first half though stresses remain particularly in areas affected by subdued commodities prices. The Group remains watchful for signs of deterioration in credit conditions.

	6 months ended 30.06.17			6 months ended 31.12.16			6 months ended 30.06.16		
	Ongoing business $million	**Liquidation portfolio $million**	**Total $million**	Ongoing business $million	Liquidation portfolio $million	Total $million	Ongoing business $million	Liquidation portfolio $million	Total $million
Loans and advances									
Gross loans and advances	**271,795**	**3,643**	**275,438**	258,396	3,854	262,250	265,293	7,266	272,559
Net loans and advances	**267,692**	**1,206**	**268,898**	254,463	1,433	255,896	261,670	4,204	265,874
Credit quality									
Gross non-performing loans	**6,303**	**3,619**	**9,922**	5,880	3,807	9,687	6,005	6,806	12,811
Individual impairment provisions	**(3,551)**	**(2,437)**	**(5,988)**	(3,355)	(2,421)	(5,776)	(3,045)	(3,062)	(6,107)
Net non-performing loans	**2,752**	**1,182**	**3,934**	2,525	1,386	3,911	2,960	3,744	6,704
Credit grade 12 accounts[1]	**1,283**	**21**	**1,304**	1,499	22	1,521	1,247	82	1,329
Cover ratio (%)[2]	**67**	**67**	**67**	69	64	67	62	45	53
Cover ratio after collateral (%)[3]	**73**	**81**	**76**	73	80	76	73	61	67
Risk-weighted assets	**271,396**	**2,767**	**274,163**	265,637	3,808	269,445	273,660	19,566	293,226

1 Includes Corporate & Institutional Banking, Commercial Banking and Central & other items

2 Including portfolio impairment provision

3 Excluding portfolio impairment provision

Associates and joint ventures

Profit from associates and joint ventures of $133 million represents a significant improvement both year-on-year and half-on-half and reflects the better performance of the Group's joint venture in Indonesia and the higher contribution from its associate investment in China.

Underlying profit before tax

Underlying profit before tax of $1.9 billion was up 93 per cent year-on-year or 36 per cent if the prior year Principal Finance losses are excluded. Our three largest client segments improved year-on-year with Corporate & Institutional Banking benefiting from the exclusion of Principal Finance losses, Retail Banking increasing profits despite business exits and Commercial Banking returning to profit. By region Greater China & North Asia delivered the biggest improvement year-on-year benefiting from strong growth in Hong Kong and a return to profitability in Korea and China. Underlying return on equity of 5.2 per cent is a significant improvement on 2.1 per cent in the same period in 2016.

Restructuring and other items

The Group incurred restructuring charges in the first half of 2017 of $165 million relating primarily to the liquidation portfolio and Principal Finance.

In 2016 the Group disclosed its decision to exit Principal Finance by streamlining the business over time and managing its third party portfolio to maximise value for shareholders and third party investors. We continue to take steps to address the performance of our Principal Finance business and will continue to reduce our exposure over time.

Restructuring charges since November 2015 total $2.9 billion and it remains the Group's expectation they will total around $3 billion once complete.

Statutory profit before tax

As a result of the above statutory profit before tax of $1.8 billion was 82 per cent higher year-on-year and statutory return on equity was 4.5 per cent, up from 2.1 per cent in the same period in 2016.

	6 months ended 30.06.17					
	Underlying $million	**Restructuring $million**	**Net gain on businesses disposed/held for sale $million**	**Goodwill impairment $million**	**Gains arising on repurchase of subordinated liabilities $million**	**Statutory $million**
Operating income	**7,222**	**(1)**	**–**	**–**	**–**	**7,221**
Operating expenses	**(4,769)**	**(101)**	**–**	**–**	**–**	**(4,870)**
Operating profit before impairment losses and taxation	**2,453**	**(102)**	**–**	**–**	**–**	**2,351**
Impairment losses on loans and advances and other credit risk provisions	**(583)**	**(72)**	**–**	**–**	**–**	**(655)**
Other impairment	**(84)**	**(9)**	**–**	**–**	**–**	**(93)**
Profit from associates and joint ventures	**133**	**18**	**–**	**–**	**–**	**151**
Profit before taxation	**1,919**	**(165)**	**–**	**–**	**–**	**1,754**

	6 months ended 31.12.16					
	Underlying $million	Restructuring $million	Net gain on businesses disposed/held for sale $million	Goodwill impairment $million	Gains arising on repurchase of subordinated liabilities $million	Statutory $million
Operating income	6,998	(196)	253	–	–	7,055
Operating expenses	(5,441)	(226)	–	–	–	(5,667)
Operating profit before impairment losses and taxation	1,557	(422)	253	–	–	1,388
Impairment losses on loans and advances and other credit risk provisions	(1,286)	(209)	–	–	–	(1,495)
Other impairment	(170)	(47)	–	(166)	–	(383)
Loss from associates and joint ventures	(2)	(62)	–	–	–	(64)
Profit/(loss) before taxation	99	(740)	253	(166)	–	(554)

	6 months ended 30.06.16					
	Underlying $million	Restructuring $million	Net gain on businesses disposed/held for sale $million	Goodwill impairment $million	Gains arising on repurchase of subordinated liabilities $million	Statutory $million
Operating income	6,810	111	–	–	84	7,005
Operating expenses	(4,534)	(10)	–	–		(4,544)
Operating profit before impairment losses and taxation	2,276	101	–	–	84	2,461
Impairment losses on loans and advances and other credit risk provisions	(1,096)	(200)	–	–	–	(1,296)
Other impairment	(213)	(16)	–	–	–	(229)
Profit from associates and joint ventures	27	–	–	–	–	27
Profit before taxation	994	(115)	–	–	84	963

Group summary consolidated balance sheet

The Group's balance sheet remains strong, highly liquid and diverse.

Customer accounts increased 5 per cent from the end of 2016 to $398 billion. The Group has been focused on generating higher quality liquidity with a greater emphasis on Cash Management and Custody in Corporate & Institutional Banking and Retail Banking deposits. Around 60 per cent of customer accounts (excluding repos) are in current and savings accounts.

Loans and advances to customers have increased 5 per cent since the end of 2016 to $269 billion with growth in Corporate Finance, Trade Finance and in Mortgages albeit with the benefit of foreign exchange translation on a predominantly local currency portfolio.

The Group's customer advances-to-deposits ratio remained broadly flat at 67.5 per cent and the Group's liquidity coverage ratio was comfortably above 100 per cent.

Derivative financial instrument assets and liabilities since the end of 2016 decreased $17.7 billion to $47.8 billion and $16.4 billion to $49.4 billion respectively reflecting a reduction of longer dated US dollar swaps and the impact of US dollar depreciation.

	30.06.17 $million	31.12.16 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Assets				
Cash and balances at central banks	**76,922**	70,706	6,216	9
Derivative financial instruments	**47,842**	65,509	(17,667)	(27)
Loans and advances to banks[1]	**79,682**	74,669	5,013	7
Loans and advances to customers[1]	**268,898**	255,896	13,002	5
Investment securities[1]	**129,437**	123,812	5,625	5
Other assets	**54,857**	56,100	(1,243)	(2)
Total assets	**657,638**	646,692	10,946	2
Liabilities				
Deposits by banks[1]	**39,273**	37,612	1,661	4
Customer accounts[1]	**398,338**	378,302	20,036	5
Derivative financial instruments	**49,352**	65,712	(16,360)	(25)
Debt securities in issue[1]	**53,090**	52,370	720	1
Subordinated liabilities and other borrowed funds	**19,926**	19,523	403	2
Other liabilities[1]	**46,297**	44,515	1,782	4
Total liabilities	**606,276**	598,034	8,242	1
Equity	**51,362**	48,658	2,704	6
Total equity and liabilities	**657,638**	646,692	10,946	2

Advances to deposits ratio (%)	**67.5**	67.6		

1 Includes balances held at fair value through profit or loss

Risk-weighted assets

Risk-weighted assets (RWA) increased $4.7 billion or 2 per cent since 31 December 2016 to $274 billion. Within this credit risk RWA were $6.8 billion or 3 per cent higher in the period driven by foreign exchange movements and increases in client exposures.

Market risk RWA were $1.1 billion or 5 per cent higher mainly due to increases in trading book debt security holdings partly offset by lower market volatility.

Operational risk RWA were $3.2 billion or 10 per cent lower due to lower levels of income over a rolling three-year time horizon.

	30.06.17 $million	31.12.16 $million	Increase/ (decrease) $million	Increase/ (decrease) %
By client segment				
Corporate & Institutional Banking	**143,360**	142,765	595	–
Retail Banking	**42,935**	42,163	772	2
Commercial Banking	**32,325**	31,938	387	1
Private Banking	**5,888**	6,088	(200)	(3)
Central & other items	**49,655**	46,491	3,164	7
Total risk-weighted assets	**274,163**	**269,445**	**4,718**	**2**
By risk type				
Credit risk	**220,721**	213,875	6,846	3
Operational risk	**30,478**	33,693	(3,215)	(10)
Market risk	**22,964**	21,877	1,087	5
Total risk-weighted assets	**274,163**	**269,445**	**4,718**	**2**

Capital base and ratios

The Group is well capitalised with a Common Equity Tier 1 capital ratio of 13.8 per cent, up 20 basis points since the end of 2016 driven largely by profits in the period as well as foreign exchange translation differences.

The leverage ratio remained strong at 6.0 per cent and the Group already meets its expected minimum requirement for own funds and eligible liabilities (MREL) for 2022. The Bank of England has confirmed the Group's non-binding indicative MREL will be 21.6 per cent of RWA from 1 January 2022. The Group estimates its MREL position to be over 26 per cent of RWA as at 30 June 2017.

The eventual timing and impact of regulatory reforms to finalise banks' capital requirements and the potential overlap with new standards such as IFRS 9 remains unclear. Further details on IFRS 9 are provided in the Capital review.

The Group's improved capital strength will give it greater capacity to navigate these uncertainties in regulatory capital requirements and the ability to take advantage of sensible growth opportunities as they arise.

	30.06.17 $million	31.12.16 $million
Common Equity Tier 1 capital	**37,781**	36,608
Additional Tier 1 capital (AT1) instruments	**6,688**	5,684
Tier 1 capital	**44,469**	42,292
Tier 2 capital	**13,866**	15,146
Total capital	**58,335**	57,438
Common Equity Tier 1 capital ratio (%)	**13.8**	13.6
Total capital ratio (%)	**21.3**	21.3
UK leverage ratio (%)	**6.0**	6.0

Summary

The external economic environment has shown signs of improvement in 2017 although competition remains intense in many of our markets and the global geopolitical outlook remains uncertain.

By continuing to focus on the things we can control we have made meaningful progress in improving our financial performance. We have some way to go to realise the potential of this unique franchise but the first half performance is encouraging and we have a clear understanding of what we need to focus on to improve results further from here.

Sustainably profitable income growth is crucial to delivering better returns for our shareholders and remains a key priority.

Cost efficiencies are funding the investments we are making in systems and processes that are helping our people to engage more confidently and effectively with our clients while making us easier to do business with.

This together with our strong and liquid balance sheet is making us more competitive when seeking to take advantage of opportunities for growth in our markets.

Andy Halford
Group Chief Financial Officer

2 August 2017

Client segment reviews

We have four client segments. Corporate & Institutional Banking and Private Banking are run globally, with clients in those segments supported by relationship managers with global oversight. Commercial Banking and Retail Banking are run regionally with global oversight of segment strategy, systems and products. Clients are served by country-level relationship managers with specific knowledge of the local market. Items not directly managed by client segments are included in Central & other items, clients. The following table outlines the performance of our client segments:

GROUP PERFORMANCE BY CLIENT SEGMENT

	6 months ended 30.06.17[1]					
Underlying performance	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	3,218	2,396	660	242	706	7,222
Operating expenses	(2,123)	(1,723)	(427)	(243)	(253)	(4,769)
Operating profit/(loss) before impairment losses and taxation	1,095	673	233	(1)	453	2,453
Impairment losses on loans and advances and other credit risk provisions	(369)	(172)	(42)	–	–	(583)
Other impairment	(78)	–	(3)	–	(3)	(84)
Profit from associates and joint ventures	–	–	–	–	133	133
Underlying profit/(loss) before taxation	648	501	188	(1)	583	1,919
Restructuring	(176)	4	(6)	(1)	14	(165)
Statutory profit/(loss) before taxation	472	505	182	(2)	597	1,754
Total assets	284,613	101,633	30,141	12,916	228,335	657,638
Of which: loans and advances to customers	125,542	98,491	26,798	12,800	5,267	268,898
Total liabilities	351,367	127,461	34,651	22,073	70,724	606,276
Of which: customer accounts	217,044	123,776	32,086	21,991	3,441	398,338
Risk-weighted assets	143,360	42,935	32,325	5,888	49,655	274,163
Underlying return on risk-weighted assets	0.9%	2.4%	1.2%	–	2.3%	1.4%

1 In 2016 the Group decided to exit Principal Finance and Retail Banking in Thailand and consequently from 1 January 2017 related gains and losses are treated as restructuring and excluded from the Group's underlying performance

Underlying performance	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
	6 months ended 31.12.16					
Operating income	3,325	2,353	628	235	457	6,998
Operating expenses	(2,178)	(1,770)	(493)	(254)	(746)	(5,441)
Operating profit/(loss) before impairment losses and taxation	1,147	583	135	(19)	(289)	1,557
Impairment losses on loans and advances and other credit risk provisions	(795)	(247)	(244)	–	–	(1,286)
Other impairment	(156)	(1)	1	–	(14)	(170)
Profit from associates and joint ventures	–	–	–	–	(2)	(2)
Underlying profit/(loss) before taxation	196	335	(108)	(19)	(305)	99
Restructuring	(344)	(47)	(26)	(73)	(250)	(740)
Net gains on businesses disposed/held for sale	–	–	–	–	253	253
Goodwill impairment	–	–	–	–	(166)	(166)
Statutory (loss)/ profit before taxation	(148)	288	(134)	(92)	(468)	(554)
Total assets	289,183	96,834	27,151	11,974	221,550	646,692
Of which: loans and advances to customers	122,231	93,488	24,013	11,908	4,256	255,896
Total liabilities	347,865	121,015	35,576	21,840	71,738	598,034
Of which: customer accounts	204,279	117,355	32,570	21,767	2,331	378,302
Risk-weighted assets	142,765	42,163	31,938	6,088	46,491	269,445
Underlying return on risk-weighted assets	0.3%	1.5%	(0.7)%	(0.6)%	(1.3)%	0.1%

Underlying performance	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
	6 months ended 30.06.16					
Operating income	3,147	2,316	667	261	419	6,810
Operating expenses	(2,090)	(1,643)	(436)	(209)	(156)	(4,534)
Operating profit before impairment losses and taxation	1,057	673	231	52	263	2,276
Impairment losses on loans and advances and other credit risk provisions	(606)	(242)	(247)	(1)	–	(1,096)
Other impairment	(212)	–	4	–	(5)	(213)
Profit from associates and joint ventures	–	–	–	–	27	27
Underlying profit/(loss) before taxation	239	431	(12)	51	285	994
Restructuring	(115)	–	–	–	–	(115)
Gains arising on repurchase of subordinated liabilities	–	–	–	–	84	84
Statutory profit/(loss) before taxation	124	431	(12)	51	369	963
Total assets	302,531	97,386	28,708	14,318	218,046	660,989
Of which: loans and advances to customers	126,626	95,246	26,062	14,226	3,714	265,874
Total liabilities	361,071	118,736	32,081	24,755	75,525	612,168
Of which: customer accounts	199,308	115,272	29,807	24,023	3,288	371,698
Risk-weighted assets	160,673	44,247	34,542	6,408	47,356	293,226
Underlying return on risk-weighted assets	0.3%	1.9%	(0.1)%	1.5%	1.2%	0.7%

Corporate & Institutional Banking

Client segment overview
We support our Corporate & Institutional Banking clients with their transaction banking, corporate finance, financial markets and borrowing needs in over 50 countries, providing solutions to over 4,000 clients in some of the world's fastest growing economies and most active trade corridors. Our clients include large corporations, governments, banks and investors headquartered and operating in Asia, Africa and the Middle East, as well as those looking for access to and support in these dynamic markets.

Performance highlights
- Underlying profit before taxation was up 171 per cent year-on-year and 231 per cent half-on-half. Excluding Principal Finance losses from prior periods, underlying profit before taxation was broadly stable year-on-year and up 44 per cent half-on-half, primarily driven by lower loan impairments
- Income was up 2 per cent year-on-year and down 3 per cent half-on-half. Excluding Principal Finance losses, income was down 3 per cent year-on-year and down 5 per cent half-on-half with lower volatility impacting spreads in Financial Markets and margin compression impacting the financing businesses
- Growth in both sides of the balance sheet since 31 December 2016 was supported by higher Corporate Finance balances and a continued focus on gathering high quality client operating accounts
- As a result of targeted efforts to diversify and expand the client base, income from Investor clients and clients in consumption-led industries was higher year-on-year
- We created a new Capital Structuring and Distribution Group to unify our asset distribution capability and meet client appetite for bespoke solutions

Underlying performance	**6 months ended 30.06.17[1] $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Transaction Banking	**1,228**	1,107	1,061	11	16
Financial Markets	**1,058**	1,274	1,212	(17)	(13)
Corporate Finance	**862**	905	896	(5)	(4)
Lending and Portfolio Management	**73**	91	145	(20)	(50)
Principal Finance[1]	**–**	(52)	(167)	nm	nm
Other	**(3)**	–	–	nm	nm
Operating income	**3,218**	3,325	3,147	(3)	2
Operating expenses	**(2,123)**	(2,178)	(2,090)	3	(2)
Loan impairment	**(369)**	(795)	(606)	54	39
Other impairment	**(78)**	(156)	(212)	50	63
Underlying profit before taxation	**648**	196	239	231	171
Statutory profit/(loss) before taxation	**472**	(148)	124	nm	281
Loans and advances to customers	**125,542**	122,231	126,626	3	(1)
Customer accounts	**217,044**	204,279	199,308	6	9
Risk-weighted assets	**143,360**	142,765	160,673	–	(11)
Underlying return on risk-weighted assets	**0.9%**	0.3%	0.3%		

1 In 2016 the Group decided to exit Principal Finance and consequently from 1 January 2017 related gains and losses are treated as restructuring and excluded from the Group's underlying performance

Financial performance summary
Statutory profit before taxation of $472 million in the first half of 2017 improved year-on-year from a profit of $124 million and half-on-half from a loss of $148 million. Statutory profit includes net restructuring charges of $176 million in the first half of 2017, primarily relating to the liquidation portfolio and Principal Finance, compared with $115 million in the first half of 2016 and $344 million in the second half of 2016.

Underlying profit before taxation of $648 million excludes net restructuring charges and was higher by $409 million year-on-year and $452 million half-on-half, driven by significantly lower loan impairment. The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income of $3.2 billion was up 2 per cent year-on-year but down 3 per cent half-on-half. Excluding Principal Finance losses, income was down 3 per cent year-on-year and down 5 per cent half-on-half, impacted by lower Financial Markets income due to a decline in market volatility as well as lower margins in Trade Finance, Corporate Finance and Lending.

Transaction Banking income of $1.2 billion was 16 per cent higher year-on-year and 11 per cent higher half-on-half, driven primarily by higher Cash Management and Custody income reflecting improved margins from the continued focus on growing high quality operating account balances, further supported by higher US dollar interest rates. Trade Finance income was broadly stable year-on-year and half-on-half despite higher balances, as margins were impacted by competition due to high levels of market liquidity as well as management actions to improve the risk profile of the portfolio.

Financial Markets income of $1.1 billion was 13 per cent lower year-on-year as lower volatility resulted in spread compression across a range of products, while the 17 per cent decline half-on-half further reflected lower credit and funding valuation gains. Foreign Exchange income was lower by 22 per cent year-on-year and 7 per cent half-on-half, impacted by lower volatility as well as lower demand for FX Options in Greater China, offsetting volume growth in Cash FX. Rates income decreased 19 per cent year-on-year and 16 per cent half-on-half due to lower volatility as well as fewer sizable deals. Partly offsetting these declines, Credit and Capital Markets was up 28 per cent year-on-year, benefiting from increased client activity in repos and reverse repos in Credit and higher market demand and increased market share in Capital Markets. Credit and Capital Markets income was down 4 per cent half-on-half following a good performance in the second half of 2016.

Corporate Finance income of $862 million was 4 per cent lower year-on-year and 5 per cent lower half-on-half. Good deal activity levels and higher asset origination were offset by lower pricing as a result of competition in our markets as well as a focus on deal selection aligned with our tightened risk appetite. Income was higher in the second quarter of 2017 compared with the first, benefiting from higher average balances.

Lending and Portfolio Management income of $73 million was 50 per cent lower year-on-year and 20 per cent lower half-on-half. Lending balances declined following our actions to exit low-returning client relationships and margins were also impacted by liquidity conditions across markets.

Expenses

Expenses were up 2 per cent year-on-year but down 3 per cent half-on-half. Excluding Principal Finance, expenses were up 4 per cent year-on-year but flat half-on-half. The year-on-year increase was primarily due to an increase in depreciation charges on assets which are leased to third parties under operating leases, following a change in accounting estimates during the second half of 2016. The benefit from cost efficiency initiatives has created capacity to invest in technology to enhance client experience. We have also made a number of key new hires to strengthen our Rates and Credit businesses and in OECD markets to diversify our client base.

Impairment

Loan impairment in the first and second half of 2016 included amounts relating to Principal Finance business of $110 million and $10 million respectively. Excluding these, loan impairment was 26 per cent lower year-on-year due to a significant reduction in impairments relating to commodities clients, and was 53 per cent lower half-on-half due in part to the non-repeat of provisions taken against exposures in the diamond and jewellery sector.

Other impairment in the first half and second half of 2016 included valuation impairment of Principal Finance investments of $99 million and $127 million respectively. Excluding these, other impairment was lower by 31 per cent year-on-year driven by lower impairments on transport leasing assets, but rose half-on-half.

Balance sheet

Loans and advances to customers grew by 3 per cent since 31 December 2016 supported by higher Corporate Finance balances and increased reverse repo activity, partly offset by a decline in Lending balances. Risk-weighted assets (RWA) were stable year-to-date as credit migration was offset by initiatives to enhance capital efficiency.

Customer accounts increased 6 per cent since 31 December 2016, primarily reflecting the focus on growing high quality operating account balances in Greater China & North Asia.

Retail Banking

Client segment overview

We serve over nine million affluent and emerging affluent individuals and small businesses in many of the world's fastest growing cities across Asia, Africa and the Middle East. Our focus is on serving the banking needs of these Priority, Personal and Business clients with market-leading digital capabilities and best-in-class products.

Performance highlights

- Underlying profit before taxation improved 16 per cent year-on-year and 50 per cent half-on-half driven primarily by lower loan impairment and higher income
- Income was up 3 per cent year-on-year and 2 per cent half-on-half. Excluding the impact of business exits income was up 7 per cent year-on-year and 5 per cent half-on-half following stronger performances across Greater China & North Asia
- Loans and advances to customers grew 5 per cent or by $5 billion since the end of 2016 driven primarily by growth in Mortgages in Korea, Singapore and Hong Kong
- In line with the strategy to grow the affluent and emerging affluent client base, income from Priority clients in the first half of 2017 increased to 44 per cent of Retail Banking income compared with 38 per cent in the same period in 2016
- Strategic investments to improve productivity continue and we are on track to deliver the first wave of full end-to-end digital capabilities in five major markets by early 2018

Underlying performance	6 months ended 30.06.17[1] $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Greater China & North Asia	**1,335**	1,259	1,186	6	13
ASEAN & South Asia	**635**	677	704	(6)	(10)
Africa & Middle East	**410**	400	409	3	–
Europe & Americas	**16**	17	17	(6)	(6)
Operating income	**2,396**	2,353	2,316	2	3
Operating expenses	**(1,723)**	(1,770)	(1,643)	3	(5)
Loan impairment	**(172)**	(247)	(242)	30	29
Other impairment	**–**	(1)	–	nm	nm
Underlying profit before taxation	**501**	335	431	50	16
Statutory profit before taxation	**505**	288	431	75	17
Loans and advances to customers	**98,491**	93,488	95,246	5	3
Customer accounts	**123,776**	117,355	115,272	5	7
Risk-weighted assets	**42,935**	42,163	44,247	2	(3)
Underlying return on risk-weighted assets	**2.4%**	1.5%	1.9%		

1 In 2016 the Group decided to exit Retail Banking in Thailand and consequently from 1 January 2017 related gains and losses are treated as restructuring and excluded from the Group's underlying performance

Financial performance summary

Statutory profit before taxation of $505 million in the first half of 2017 was 17 per cent higher year-on-year and 75 per cent higher half-on-half. Statutory profit includes net restructuring income of $4 million in the first half of 2017 compared with nil in the first half of 2016 and net restructuring expense of $47 million in the second half of 2016.

Underlying profit before taxation excludes net restructuring charges and was 16 per cent higher year-on-year and 50 per cent higher half-on-half driven primarily by lower loan impairment and higher income. The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income was higher by 3 per cent year-on-year and 2 per cent half-on-half. A good performance across several markets, particularly in Greater China & North Asia, offset the impact of business exits in ASEAN & South Asia.

Income from Greater China & North Asia increased 13 per cent year-on-year and 6 per cent half-on-half to $1.3 billion with continued strong performances in Wealth Management and higher Deposit balances across the region more than offsetting lower asset margins.

Income from ASEAN & South Asia declined 10 per cent year-on-year and 6 per cent half-on-half to $635 million following the decisions to exit Retail Banking in Thailand and the Philippines. Excluding the impact of business exits, income was broadly stable year-on-year and 3 per cent higher half-on-half. In Singapore income was up 2 per cent both year-on-year and half-on-half and in India income was up 8 per cent year-on-year and 15 per cent half-on-half, supported by balance sheet growth and a strong performance in Wealth Management. Offsetting this was lower income in Malaysia following local currency depreciation.

In Africa & Middle East income of $410 million was stable year-on-year and 3 per cent higher half-on-half. A good performance in Nigeria and the UAE offset the impact of local currency depreciation in a number of African markets and the introduction of interest rate caps in Kenya.

Expenses

Expenses increased 5 per cent year-on-year but were 3 per cent lower half-on-half. Excluding the impact of business exits in ASEAN & South Asia, expenses were stable half-on-half but increased 8 per cent year-on-year as investment continued into areas that will improve productivity, such as rolling out end-to-end digital capability, as well as into opportunities for future growth including our Wealth Management platform.

Impairment

Loan impairment was 29 per cent lower year-on-year and 30 per cent lower half-on-half. Excluding the impact of business exits, loan impairment was lower by 21 per cent and 27 per cent respectively from improved portfolio performances and the implementation of our refreshed risk decision framework, which was introduced to target high quality growth and lower volatility in our unsecured asset portfolio.

Balance sheet

Loans and advances to customers grew 5 per cent since the end of 2016 driven primarily by growth in Mortgages in Korea, Singapore and Hong Kong. Risk-weighted assets (RWA) were 2 per cent higher in the first half due to growth in Mortgage balances. Customer accounts were higher by 5 per cent driven by growth in current and savings account balances across all regions.

Commercial Banking

Client segment overview

Our Commercial Banking clients are small and mid-sized companies as well as large local corporates in 27 markets across Asia, Africa and the Middle East. Through dedicated relationship managers we provide financial solutions and services to these clients in areas such as trade finance, cash management, foreign exchange and interest rate hedging.

Performance highlights

- Commercial Banking returned to profitability primarily driven by significantly lower loan impairment as well as targeted initiatives to reduce the cost base
- Income was broadly stable year-on-year but was up 5 per cent half-on-half following improved performance in Africa & Middle East
- Loans and advances to customers grew by 12 per cent since the end of 2016 supported by growth in all three of our regions, particularly in Hong Kong and India
- Significantly lower loan impairment resulted from our strategic actions to enhance credit risk management through strengthening all areas of credit processes, from employee training and client selection to repayment and recovery
- We completed a multi-year infrastructure integration programme with Corporate & Institutional Banking, enabling us to strengthen our client offering

Underlying performance	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Greater China & North Asia	**264**	261	261	1	1
ASEAN & South Asia	**242**	237	241	2	–
Africa & Middle East	**154**	130	165	18	(7)
Operating income	**660**	628	667	5	(1)
Operating expenses	**(427)**	(493)	(436)	13	2
Loan impairment	**(42)**	(244)	(247)	83	83
Other impairment	**(3)**	1	4	nm	nm
Underlying profit/(loss) before taxation	**188**	(108)	(12)	274	1,667
Statutory profit/(loss) before taxation	**182**	(134)	(12)	236	1,617
Loans and advances to customers	**26,798**	24,013	26,062	12	3
Customer accounts	**32,086**	32,570	29,807	(1)	8
Risk-weighted assets	**32,325**	31,938	34,542	1	(6)
Underlying return on risk-weighted assets	**1.2%**	(0.7)%	(0.1)%		

Financial performance summary

Statutory profit before taxation of $182 million in the first half of 2017 improved significantly from a loss of $12 million and a loss of $134 million in the first and second half of 2016 respectively. Statutory profit includes a restructuring charge of $6 million in the first half of 2017 compared with nil in the first half of 2016 and $26 million in the second half of 2016.

Underlying profit before taxation of $188 million excludes restructuring charges and improved significantly compared to a loss of $12 million and $108 million in the first and second half of 2016 respectively, driven by lower loan impairment as well as lower costs. The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income was broadly stable year-on-year but rose 5 per cent half-on-half driven by a broad-based improvement in Africa & Middle East.

Income from Greater China & North Asia of $264 million was broadly stable both year-on-year and half-on-half. Continued growth in Korea and China from Financial Markets was offset by Hong Kong, where margin compression on Trade Finance and Lending products more than offset the benefit of the US central bank rate rises on Cash Management margins.

ASEAN & South Asia income of $242 million was stable year-on-year and was up 2 per cent half-on-half. Income in India and Singapore was higher year-on-year led by Corporate Finance and Financial Markets, driven by higher volumes and flows, while margin compression and local currency depreciation impacted Malaysia. Cash Management in Singapore also benefited from the higher margins following US central bank rate rises, as well as higher balances.

Income generated in Africa & Middle East of $154 million was lower by 7 per cent year-on-year but rose 18 per cent half-on-half. The year-on-year decline was mainly in the UAE due to lower margins in Trade Finance and lower Corporate Finance balances, while income in key African markets was impacted by local currency depreciation. Half-on-half growth was led by the UAE, Pakistan and Nigeria from improved liability margins and higher client activity in Financial Markets.

Expenses

Expenses were lower by 2 per cent year-on-year and by 13 per cent half-on-half, benefiting from ongoing cost efficiency actions.

Impairment

Loan impairment declined significantly across all three regions year-on-year benefiting from the action taken to enhance credit risk management. Non-performing loans were lower compared with 31 December 2016 but remain elevated and we continue to focus on closely managing risk in the portfolio.

Balance sheet

Loans and advances to customers grew by 12 per cent since the end of 2016 driven by higher Trade Finance activity and improved Corporate Finance momentum, mainly in Hong Kong and India. Risk-weighted assets (RWA) were broadly stable as asset growth was offset by lower operational risk RWA.

Customer accounts were broadly stable as lower Cash Management balances in Hong Kong and China were offset by steady growth in operating accounts.

Private Banking

Client segment overview
We help our Private Banking clients manage, preserve and grow their wealth, recognising that in many cases their personal and business banking needs are closely linked. Through our presence in Asia, Africa, the Middle East and the UK, we offer clients access to a full suite of private banking services from investment and credit solutions to wealth preservation and succession planning. Our open architecture platform combines market insights from multiple sources with in-house research to empower clients to make effective decisions.

Performance highlights
- An underlying loss before taxation of $1 million for the first half of 2017 reflected higher expenses compared with the first half of 2016 as we invested in hiring senior relationship managers and in technology infrastructure
- Income was 7 per cent lower year-on-year impacted by the non-recurrence of an insurance recovery but was 3 per cent higher half-on-half with positive momentum in Wealth Management products
- Assets under management have increased by $4.7 billion since 31 December 2016 driven by positive market movements together with $0.6 billion of net new money
- Private Banking transformation is underway with progress made across talent management, process and platform enhancements and the strengthening of product and advisory platforms
- We have launched the Private Banking Academy, partnering with INSEAD and Fitch Learning, as part of our continued investment in our existing staff and into enhancing our client experience

Underlying performance	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Transaction Banking	**–**	1	–	nm	nm
Wealth Management	**144**	135	145	7	(1)
Retail Products	**98**	102	91	(4)	8
Other Products	**–**	(3)	25	nm	nm
Operating income	**242**	235	261	3	(7)
Operating expenses	**(243)**	(254)	(209)	4	(16)
Loan impairment	**–**	–	(1)	nm	nm
Underlying (loss)/profit before taxation	**(1)**	(19)	51	95	(102)
Statutory (loss)/profit before taxation	**(2)**	(92)	51	98	(104)
Loans and advances to customers	**12,800**	11,908	14,226	7	(10)
Customer accounts	**21,991**	21,767	24,023	1	(8)
Assets under management	**58,871**	54,218	56, 968	9	3
Risk-weighted assets	**5,888**	6,088	6,408	(3)	(8)
Underlying return on risk-weighted assets	**–**	(0.6)%	1.5%		

Financial performance summary
Statutory loss before taxation of $2 million in the first half of 2017 declined year-on-year from a profit of $51 million but improved from a loss of $92 million in the second half of 2016. Statutory profit includes restructuring charges of $1 million in the first half of 2017, nil in the first half of 2016 and $73 million in the second half of 2016.

Underlying loss before taxation of $1 million in the first half of 2017 excludes restructuring charges and declined from a profit of $51 million in the first half of 2016 driven by higher expenses and lower income, but improved from a loss of $19 million in the second half of 2016 due to lower expenses. The commentary that follows is on an underlying basis, unless otherwise stated.

Income
Income was down 7 per cent year-on-year. Excluding an insurance recovery in the first half of 2016 income was up 2 per cent year-on-year and 3 per cent half-on-half led by growth in Hong Kong and the UAE.

Income from Wealth Management products was broadly stable year-on-year at $144 million as actions we took in 2016 reduced secured lending balances, while most other Wealth Management products recorded higher income. Half-on-half, income rose 7 per cent driven by new product launches as well as selective increases in secured lending balances, supported by improved market conditions.

Income from Retail Products grew by 8 per cent year-on-year to $98 million mainly driven by higher Deposit income due to improved margins with interest rate rises on foreign currency deposits, particularly in Hong Kong. Income declined 4 per cent half-on-half, driven by lower average deposit balances in Singapore as well as in India following the maturity of fixed-term leveraged deposit products during the second half of 2016, partly offset by higher margins.

Expenses
Expenses were higher by 16 per cent year-on-year, driven by the hiring of senior private bankers and investment in technology infrastructure. Half-on-half, expenses declined 4 per cent as continued hiring was more than offset by further cost efficiency actions.

Assets under management

Assets under management increased 9 per cent since 31 December 2016 to $59 billion, driven by positive market movements and $0.6 billion of net new money, largely from Hong Kong and India.

Balance sheet

Loans and advances to customers increased 7 per cent since the end of 2016, mainly from selective increases in secured lending balances. Risk-weighted assets (RWA) were lower by 3 per cent due to lower operational risk RWA. Customer accounts increased 1 per cent half-on-half, primarily in time deposits in India and Africa & Middle East.

Central & other items, clients

Client segment overview

Central & other items comprises a number of central items that are not managed directly by client segments.

These include:

- Corporate centre costs, including the UK bank levy
- Treasury activities, including Asset and Liability Management
- Joint ventures and associate investments

Underlying performance	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Operating income	**706**	457	419	54	68
Operating expenses	**(253)**	(746)	(156)	66	(62)
Other impairment	**(3)**	(14)	(5)	79	40
Profit/(loss) from associates and joint ventures	**133**	(2)	27	nm	393
Underlying profit/(loss) before taxation	**583**	(305)	285	291	105
Restructuring	**14**	(250)	–	106	nm
Gains arising on repurchase of subordinated liabilities	**–**	–	84	nm	nm
Net gains on businesses disposed/held for sale	**–**	253	–	nm	nm
Goodwill impairment	**–**	(166)	–	nm	nm
Statutory profit/(loss) before taxation	**597**	(468)	369	228	62
Loans and advances to customers[1]	**5,267**	4,256	3,714	24	42
Customer accounts	**3,441**	2,331	3,288	48	5
Risk-weighted assets	**49,655**	46,491	47,356	7	5
Underlying return on risk-weighted assets	**2.3%**	(1.3)%	1.2%		

1 Includes amounts with the Monetary Authority of Singapore (MAS)

Financial performance summary

Statutory profit before taxation of $597 million in the first half of 2017 improved from a profit of $369 million in the first half of 2016, driven by higher operating income and profit from associates and joint ventures, partly offset by higher expenses. The more significant half-on-half improvement from a loss of $468 million was further impacted by the inclusion of the UK bank levy of $383 million in the second half of 2016.

Underlying profit before taxation of $583 million in the first half of 2017 improved from a profit of $285 million in the first half of 2016 and a loss of $305 million in the second half of 2016, driven by the same factors.

The difference between underlying and statutory profit before taxation is explained by the following items, which are excluded from underlying performance:

- Restructuring gains of $14 million in the first half of 2017, driven by a gain on disposal of loans from the liquidation portfolio of the Group's joint venture in Indonesia, compared with a charge of $250 million in the second half of 2016 and nil in the first half of 2016
- Gains arising on the repurchase of subordinated liabilities of $84 million in the first half of 2016, when the Group bought back issued debt from the market at a discount
- Gain on sale of $253 million recorded in the second half of 2016 relating to the sale of the Group's Mandatory Provident Fund business in Hong Kong
- Goodwill impairment of $166 million in the second half of 2016 relating to our Retail Banking business in Thailand

The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income was higher by 68 per cent year-on-year and 54 per cent half-on-half. Income from treasury activities was higher with Asset and Liability Management benefiting from gains on sale of securities in India and favourable market conditions in Hong Kong, as well as lower interest expense following the replacement of subordinated debt on issue with Additional Tier 1 securities during 2016.

Expenses

Expenses were up 62 per cent year-on-year reflecting more balanced phasing of regulatory and project expenses in 2017 relative to the prior year when expenses in the first half were significantly lower than in the second half. Asset and Liability Management costs were also higher year-on-year. The significant decline in expenses half-on-half is due to the UK bank levy of $383 million incurred in the second half of 2016 as well as the normalisation of project expenses in 2017.

Associates and joint ventures

Profit from associates and joint ventures was higher at $133 million in the first half of 2017 due to a higher contribution from the Group's associate investment in China Bohai Bank and better performance in the Group's joint venture in Indonesia, particularly from the second half of 2016.

Balance sheet

Loans and advances to customers and customer accounts mainly relate to Asset and Liability Management activity. Balances are generally small, but fluctuate between periods. Risk-weighted assets relate primarily to the Asset and Liability Management portfolio as well as associates and joint ventures.

Regional reviews

Regional reviews
We have an organisational structure that ensures we support clients across our footprint. Our four regions – Greater China & North Asia, ASEAN & South Asia, Africa & Middle East and Europe & Americas – are managed by their own CEOs. Items not directly managed by regions are included in Central & other items, region. The following table outlines the performance of each of our regions:

GROUP PERFORMANCE BY REGION

	6 months ended 30.06.17[1]					
Underlying performance	**Greater China & North Asia $million**	**ASEAN & South Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items $million**	**Total $million**
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 losses and taxation	**1,032**	**714**	**500**	**129**	**78**	**2,453**
Impairment losses on loans and advances and other credit risk provisions	**(76)**	**(315)**	**(129)**	**(63)**	**–**	**(583)**
Other impairment	**(54)**	**(3)**	**(2)**	**–**	**(25)**	**(84)**
Profit from associates and joint ventures	**123**	**4**	**–**	**–**	**6**	**133**
Underlying profit before taxation	**1,025**	**400**	**369**	**66**	**59**	**1,919**
Restructuring	**(10)**	**(47)**	**(7)**	**(15)**	**(86)**	**(165)**
Statutory profit/(loss) before taxation	**1,015**	**353**	**362**	**51**	**(27)**	**1,754**
Net interest margin	**1.3%**	**1.9%**	**3.4%**	**0.5%**		**1.6%**
Total assets	**249,672**	**149,173**	**56,296**	**191,220**	**11,277**	**657,638**
Of which: loans and advances to customers	**120,458**	**77,645**	**29,402**	**41,393**	**–**	**268,898**
Total liabilities	**214,036**	**129,710**	**37,820**	**181,851**	**42,859**	**606,276**
Of which: customer accounts	**173,866**	**93,189**	**30,944**	**100,339**	**–**	**398,338**
Risk-weighted assets	**80,320**	**96,703**	**56,604**	**40,365**	**171**	**274,163**

	6 months ended 31.12.16					
Operating income	2,639	1,998	1,322	847	192	6,998
Operating expenses	(1,892)	(1,329)	(885)	(633)	(702)	(5,441)
Operating profit/(loss) before impairment losses and taxation	747	669	437	214	(510)	1,557
Impairment losses on loans and advances and other credit risk provisions	(182)	(350)	(349)	(387)	(18)	(1,286)
Other impairment	(12)	(1)	1	1	(159)	(170)
Profit/(loss) from associates and joint ventures	65	(66)	–	–	(1)	(2)
Underlying profit/(loss) before taxation	618	252	89	(172)	(688)	99
Restructuring	(118)	(343)	(65)	(135)	(79)	(740)
Net gains on businesses disposed/held for sale	253	–	–	–	–	253
Goodwill impairment	–	–	–	–	(166)	(166)
Statutory profit/(loss) before taxation	753	(91)	24	(307)	(933)	(554)
Net interest margin	1.3%	1.9%	3.1%	0.5%		1.5%
Total assets	239,740	143,704	56,980	195,937	10,331	646,692
Of which: loans and advances to customers	110,533	73,161	28,140	44,062	–	255,896
Total liabilities	210,795	126,701	38,020	181,639	40,879	598,034
Of which: customer accounts	169,957	88,141	29,931	90,273	–	378,302
Risk-weighted assets	76,665	96,673	52,849	43,487	(229)	269,445

	6 months ended 30.06.16					
Operating income	2,551	2,054	1,420	817	(32)	6,810
Operating expenses	(1,654)	(1,189)	(845)	(669)	(177)	(4,534)
Operating profit/(loss) before impairment losses and taxation	897	865	575	148	(209)	2,276
Impairment losses on loans and advances and other credit risk provisions	(242)	(412)	(214)	(124)	(104)	(1,096)
Other impairment	(35)	4	(19)	–	(163)	(213)
Profit/(loss) from associates and joint ventures	102	(80)	–	–	5	27
Underlying profit/(loss) before taxation	722	377	342	24	(471)	994
Restructuring	(19)	(100)	(17)	22	(1)	(115)
Gains arising on repurchase of subordinated liabilities	–	–	–	–	84	84
Statutory profit/(loss) before taxation	703	277	325	46	(388)	963
Net interest margin	1.3%	2.0%	3.0%	0.5%		1.6%
Total assets	240,596	149,855	61,135	200,100	9,303	660,989
Of which: loans and advances to customers	111,020	81,335	30,015	43,504	–	265,874
Total liabilities	212,239	129,761	39,143	187,748	43,277	612,168
Of which: customer accounts	165,568	89,711	30,459	85,960	–	371,698
Risk-weighted assets	77,069	105,441	54,995	54,611	1,110	293,226

1 In 2016 the Group decided to exit Principal Finance and Retail Banking in Thailand and consequently from 1 January 2017 related gains and losses are treated as restructuring and excluded from the Group's underlying performance

For key country disclosures please see supplementary information

Greater China & North Asia

Region overview
Greater China & North Asia is the Group's largest region by income with a presence in Hong Kong, Korea, China, Taiwan, Japan and Macau. The region is highly interconnected with China's economy at its core. Hong Kong remains the Group's largest market by income, underpinned by a diversified franchise and deeply-rooted presence. Our regional footprint, distinctive proposition and continued investment position us strongly to capture opportunities as they arise from the continuing opening up of China's economy.

Performance highlights
- Underlying profit before taxation improved 42 per cent year-on-year and 66 per cent half-on-half reflecting broad-based income growth as well as lower loan impairment
- Income was up 9 per cent year-on-year and 6 per cent half-on-half driven by growth across all markets and client segments and particularly in Wealth Management, Deposits and Cash Management products
- Loans and advances to customers were up 9 per cent since 31 December 2016 driven by strong growth in Corporate Finance in Hong Kong and Mortgages in Korea
- Profitability improved in China as we continue to make progress against our strategic priorities and as the market opens up, bringing about increased cross border flows
- In Korea the steps we have taken to reshape the franchise resulted in a stronger underlying profit performance with improving results across all client segments, underpinned by positive income momentum and higher productivity

Underlying performance	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Operating income	**2,791**	2,639	2,551	6	9
Operating expenses	**(1,759)**	(1,892)	(1,654)	7	(6)
Loan impairment	**(76)**	(182)	(242)	58	69
Other impairment	**(54)**	(12)	(35)	(350)	(54)
Profit from associates and joint ventures	**123**	65	102	89	21
Underlying profit before taxation	**1,025**	618	722	66	42
Statutory profit before taxation	**1,015**	753	703	35	44
Net interest margin	**1.3%**	1.3%	1.3%		
Loans and advances to customers	**120,458**	110,533	111,020	9	9
Customer accounts	**173,866**	169,957	165,568	2	5
Risk-weighted assets	**80,320**	76,665	77,069	5	4

Financial performance summary
Statutory profit before taxation of $1 billion in the first half of 2017 was 44 per cent higher year-on-year and 35 per cent higher half-on-half. Statutory profit includes restructuring charges of $10 million in the first half of 2017 compared with $19 million and $118 million in the first and second half of 2016 respectively. Statutory profit also included a $253 million gain on disposal of the Group's Mutual Provident Fund business in Hong Kong in the second half of 2016.

Underlying profit before taxation excludes net restructuring charges and gains on disposals of businesses and was 42 per cent higher year-on-year and 66 per cent higher half-on-half, driven primarily by income growth and lower impairments. The commentary that follows is on an underlying basis, unless otherwise stated.

Income
Income of $2.8 billion was up 9 per cent year-on-year and 6 per cent half-on-half, driven by broad-based growth across all markets and client segments.

Income in Hong Kong of $1.7 billion was 8 per cent higher year-on-year and 5 per cent higher half-on-half. Corporate & Institutional Banking income was higher year-on-year supported by an improved performance in Cash Management as well as stronger client activity in Corporate Finance. Strong growth in Retail Banking and Private Banking income were both driven by positive momentum in Wealth Management and improving margins on deposits. Commercial Banking income was lower, primarily as a result of actions to improve our risk profile. Half-on-half, income in Hong Kong benefited from higher Asset and Liability Management income, while Corporate & Institutional Banking was impacted by lower volatility in Financial Markets.

Income in Korea grew 15 per cent year-on-year and 13 per cent half-on-half to $503 million with improvement in all client segments. Retail Banking income was higher year-on-year driven by Mortgages and Wealth Management. Income from Corporate & Institutional Banking benefited from a stronger Financial Markets performance and Commercial Banking income also improved.

Income in China of $341 million was broadly stable year-on-year and 4 per cent lower half-on-half, impacted by foreign currency translation. Excluding this, income was higher despite lower income from Asset and Liability Management. Growth in Corporate & Institutional Banking and Commercial Banking was supported by Financial Markets and an improvement in Cash Management. Retail Banking income was higher underpinned by higher Wealth Management and Deposits income, as our Priority client base continued to expand and productivity of relationship managers improved.

Income in Taiwan of $240 million was 19 per cent higher year-on-year and 17 per cent higher half-on-half, driven by more favourable market conditions in Asset and Liability Management as well as good sales momentum in Wealth Management. This growth was partially offset by lower income year-on-year from Mortgages and Financial Markets.

Expenses

Expenses were up 6 per cent year-on-year but were down 7 per cent half-on-half, reflecting ongoing investment in the business offset by the continued progress on business efficiency initiatives.

Impairment

Loan impairment was 69 per cent lower year-on-year and 58 per cent lower half-on-half, reflecting a better year-on-year performance across all client segments as well as the sale of a fully provided loan portfolio in Korea.

Associates and joint ventures

Profit from associates and joint ventures of $123 million was up by 21 per cent year-on-year and 89 per cent half-on-half, reflecting a higher contribution from the Group's associate investment in China Bohai Bank.

Balance sheet

Loans and advances to customers were up 9 per cent since 31 December 2016, driven by strong growth in Corporate Finance in Hong Kong and Mortgages in Korea. Risk-weighted assets (RWA) were 5 per cent higher due to the same factors. Customer accounts increased 2 per cent in the first half, mainly from initiatives to build current and savings accounts in Retail Banking.

ASEAN & South Asia

Region overview

Our business in ASEAN & South Asia is well balanced with representation from all four of the Group's client segments. We are the only international bank with a presence in all 10 ASEAN countries and have meaningful operations in all key South Asian markets. Our two largest markets in the region by income are Singapore and India, where we have a deep-rooted presence going back more than 150 years.

Performance highlights

- Underlying profit before taxation was 6 per cent higher year-on-year and up 59 per cent half-on-half, driven by lower impairments and an improved contribution from the Group's joint venture in Indonesia
- Income was 4 per cent lower year-on-year and 2 per cent lower half-on-half following the decisions to exit Retail Banking in Thailand and the Philippines and continued asset margin compression across a number of markets
- Loans and advances to customers grew by 6 per cent and customer accounts increased 6 per cent since 31 December 2016, primarily in Singapore and India
- The decisions to exit Retail Banking in Thailand and the Philippines together with other cost efficiencies have created capacity for further investment
- We have made good progress with our Retail Banking investments where we have built sales capacity and begun rolling out end-to-end digital capabilities in our largest markets

Underlying performance	**6 months ended 30.06.17[1] $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Operating income	**1,964**	1,998	2,054	(2)	(4)
Operating expenses	**(1,250)**	(1,329)	(1,189)	6	(5)
Loan impairment	**(315)**	(350)	(412)	10	24
Other impairment	**(3)**	(1)	4	nm	nm
Profit/(loss) from associates and joint ventures	**4**	(66)	(80)	106	105
Underlying profit before taxation	**400**	252	377	59	6
Statutory profit/(loss) before taxation	**353**	(91)	277	488	27
Net interest margin	**1.9%**	1.9%	2.0%		
Loans and advances to customers	**77,645**	73,161	81,335	6	(5)
Customer accounts	**93,189**	88,141	89,711	6	4
Risk-weighted assets	**96,703**	96,673	105,441	–	(8)

1 In 2016 the Group decided to exit Retail Banking in Thailand and consequently from 1 January 2017 related gains and losses are treated as restructuring and excluded from the Group's underlying performance

Financial performance summary

Statutory profit before taxation of $353 million in the first half of 2017 was 27 per cent higher year-on-year and up significantly compared with a loss of $91 million in the second half of 2016. Statutory profit includes net restructuring charges of $47 million in the first half of 2017 compared with $100 million and $343 million in the first and second half of 2016 respectively.

Underlying profit before taxation of $400 million excludes net restructuring charges and was up 6 per cent year-on-year and 59 per cent half-on-half, driven primarily by lower loan impairment. The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income in ASEAN & South Asia was 4 per cent lower year-on-year and 2 per cent lower half-on-half, impacted by the decisions to exit Retail Banking in Thailand and the Philippines during 2016. Excluding this, income was broadly flat year-on-year and half-on-half.

Income in Singapore of $733 million was 5 per cent lower year-on-year driven primarily by a decline in Corporate & Institutional Banking income as lower levels of volatility impacted Financial Markets. Retail Banking income was also higher year-on-year with growth in Wealth Management and Deposits more than offsetting lower asset margins. Commercial Banking income was also up year-on-year from improvement in Corporate Finance and initiatives to grow cash balances. Income rose 2 per cent half-on-half.

Income in India of $561 million was 20 per cent higher year-on-year and 14 per cent higher half-on-half. More than half of the improvement was driven by gains that are non-recurring in nature and higher Asset and Liability Management income from gains on sale of securities. Retail Banking income was higher year-on-year and half-on-half, driven by Wealth Management and benefiting from investment in sales capacity. Income was also higher year-on-year in Commercial Banking and Corporate & Institutional Banking driven by Corporate Finance. Across the client segments balances in liability products were higher year-on-year, however margins were lower following a reduction in the central bank rate, which followed demonetisation.

Income in Malaysia of $193 million was 16 per cent lower year-on-year and 13 per cent lower half-on-half, while income in Indonesia of $143 million was 15 per cent lower year-on-year but has stabilised half-on-half. Both markets were impacted by actions taken to improve the risk profile of our unsecured lending portfolio and ongoing margin compression, while Malaysia was additionally impacted by local currency depreciation.

Expenses

Expenses were up by 5 per cent year-on-year but down 6 per cent half-on-half. Excluding the impact of decisions to exit Retail Banking in Thailand and the Philippines, expenses were higher by 10 per cent year-on-year but lower by 2 per cent half-on-half. We are investing across our key markets, largely in Retail Banking, including through rolling out end-to-end digital capabilities and building sales capacity. Cost efficiency initiatives continue and are helping to create capacity to invest.

Impairment

Loan impairment was lower by 24 per cent year-on-year and 10 per cent half-on-half. Excluding the impact of decisions to exit Retail Banking in Thailand and the Philippines, loan impairment was lower by 19 per cent year-on-year and 7 per cent half-on-half driven by actions taken to improve our risk profile, despite credit stress affecting a small number of Corporate & Institutional Banking clients.

Associates and joint ventures

Profit from associates and joint ventures in the first half of 2017 improved from losses in the first and second half of 2016 after an improved performance in the Group's joint venture in Indonesia.

Balance sheet

Loans and advances to customers grew by 6 per cent since 31 December 2016, as Corporate Finance and Mortgage balances grew mainly in Singapore and India. Growth was also driven by higher balances relating to Asset and Liability Management activity. Customer accounts increased 6 per cent driven by Cash Management in Singapore and Retail Banking Deposits in India.

Risk-weighted assets (RWA) were stable as an increase in credit risk RWA from selective growth in loans and advances to customers was offset by lower operational risk RWA.

Africa & Middle East

Region overview

We have a deep-rooted heritage of over 150 years in Africa & Middle East and are present in 25 markets, of which UAE, Nigeria, Pakistan and Kenya are the largest by income. Among international banks we have the broadest presence across Sub-Saharan Africa by number of markets and are one of only a few banks with a strong network on the ground across Africa, Asia and the Middle East. This, coupled with our presence in origination centres in Europe & Americas, enables us to connect clients to opportunities in some of the world's most exciting growth markets.

Performance highlights

- Underlying profit before taxation improved both year-on-year and half-on-half due to a significant reduction in loan impairment
- Income was 2 per cent lower year-on-year but 5 per cent higher half-on-half. On a constant currency basis, income was broadly stable year-on-year as lower income from Corporate & Institutional Banking was offset by a strong performance in Wealth Management
- Since 31 December 2016 both sides of the balance sheet saw broad-based growth with loans and advances to customers up 4 per cent and customer accounts up 3 per cent
- Commercial Banking returned to profitability as its cost-to-income ratio improved and loan impairment declined following the implementation of enhanced credit risk management
- Building on the Retail Banking digitisation achievements in 2016, further initiatives were launched to drive client adoption leading to an 8 per cent increase in digital transactions in the region, including a double digit increase in Africa

Underlying performance	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Operating income	**1,387**	1,322	1,420	5	(2)
Operating expenses	**(887)**	(885)	(845)	–	(5)
Loan impairment	**(129)**	(349)	(214)	63	40
Other impairment	**(2)**	1	(19)	nm	89
Underlying profit before taxation	**369**	89	342	315	8
Statutory profit before taxation	**362**	24	325	1,408	11
Net interest margin	**3.4%**	3.1%	3.0%		
Loans and advances to customers	**29,402**	28,140	30,015	4	(2)
Customer accounts	**30,944**	29,931	30,459	3	2
Risk-weighted assets	**56,604**	52,849	54,995	7	3

Financial performance summary

Statutory profit before taxation of $362 million in the first half of 2017 was 11 per cent higher year-on-year and improved significantly half-on-half. Statutory profit includes net restructuring charges of $7 million in the first half of 2017 compared with $17 million and $65 million in the first and second half of 2016 respectively.

Underlying profit before taxation excludes net restructuring charges and was higher by 8 per cent year-on-year and up significantly half-on-half, driven by lower loan impairment. The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income of $1.4 billion was 2 per cent lower year-on-year but 5 per cent higher half-on-half. Year-on-year performance was materially impacted by local currency depreciation against the US dollar. On a constant currency basis income was broadly stable year-on-year, impacted by actions taken to improve our risk profile as well as reduced corporate activity in the Middle East, offset by a strong performance in Cash Management and Wealth Management.

Income of $377 million in the UAE was 6 per cent lower year-on-year but 7 per cent higher half-on-half. The year-on-year decline was driven by Corporate & Institutional Banking and Commercial Banking, which were impacted by actions taken to improve our risk profile and continued lower levels of corporate activity and market volatility. Half-on-half, Corporate & Institutional Banking income was higher benefiting from US dollar rate rises and Commercial Banking income was higher reflecting improved performance in Trade Finance and Financial Markets.

Income from Africa of $731 million rose 3 per cent year-on-year and was broadly stable half-on-half as higher Asset and Liability Management and Transaction Banking income was offset by local currency depreciation. Income from Nigeria rose 15 per cent year-on-year driven by Retail Banking products, in particular Deposits, as well as growth in Corporate & Institutional Banking from increased activity in Financial Markets and Transaction Banking. Income in Kenya was down 11 per cent year-on-year due to the impact of interest rate caps on Retail Banking products but was up 3 per cent half-on-half as Corporate & Institutional Banking performance improved. The challenges in Kenya and some other African markets year-on-year were partly offset by higher income from South Africa driven by better deal flow with Corporate & Institutional Banking clients in Financial Markets and Corporate Finance.

Expenses

Expenses rose 5 per cent year-on-year but were stable half-on-half. On a constant currency basis, expenses were higher by 8 per cent year-on-year with cost savings from headcount reductions and improved efficiency offset by increased investment in digitisation, conduct and controls.

Impairment

Loan impairment declined 40 per cent year-on-year following actions taken to improve the risk profile of the Group including the roll out of new Commercial Banking underwriting standards. While the risk profile of the region has improved, non-performing loans remain elevated.

Balance sheet

Loans and advances to customers grew 4 per cent on both an underlying basis and on a constant currency basis since 31 December 2016, driven by Corporate Finance and Retail Products, particularly in Africa. Risk-weighted assets (RWA) were higher by 7 per cent due to the growth in loans and advances to customers.

Customer accounts increased 3 per cent on both an underlying basis and on a constant currency basis, driven by corporate term deposits and current and savings account balances across the region.

Europe & Americas

Region overview

In Europe & Americas we support our clients through hubs in London and New York as well as a presence in several European and Latin American markets. Clients based in our region generate over one-third of Corporate & Institutional Banking income, the majority of which is recorded in the Group's other regions where the service is provided. We offer our clients rich network capabilities, comprehensive offerings in key product areas including transaction banking, corporate finance and financial markets, and our knowledge of working in and between Asia, Africa and the Middle East. We also have a small but focused Private Banking business.

Performance highlights

- A significant improvement in underlying profit before taxation both year-on-year and half-on-half resulted from a substantial decline in impairment following earlier actions to reduce exposure to higher risk sectors Broadly stable income performance year-on-year was supported by higher balances and margins in Cash Management and higher transaction volumes, offset by continued downward pressure on margins and spreads in Lending, Trade Finance and Financial Markets
- Strong growth in customer accounts since 31 December 2016 was driven by repos and money market balances
- Good progress was made in attracting new clients and broadening relationships with existing clients across a suite of products with more than 80 new OECD-based Corporate & Institutional Banking clients on-boarded in the first half of 2017
- Continued progress made in regulatory compliance and remediation programmes

Underlying performance	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Operating income	**809**	847	817	(4)	(1)
Operating expenses	**(680)**	(633)	(669)	(7)	(2)
Loan impairment	**(63)**	(387)	(124)	84	49
Other impairment	**–**	1	–	nm	nm
Underlying profit/(loss) before taxation	**66**	(172)	24	138	175
Statutory profit/(loss) before taxation	**51**	(307)	46	117	11
Net interest margin	**0.5%**	0.5%	0.5%		
Loans and advances to customers	**41,393**	44,062	43,504	(6)	(5)
Customer accounts	**100,339**	90,273	85,960	11	17
Risk-weighted assets	**40,365**	43,487	54,611	(7)	(26)

Financial performance summary

Statutory profit before taxation of $51 million in the first half of 2017 was 11 per cent higher year-on-year and improved from a loss in the second half of 2016. Statutory profit includes a net restructuring charge of $15 million in the first half of 2017 compared with income of $22 million in the first half of 2016 and a charge of $135 million in the second half of 2016.

Underlying profit before taxation of $66 million excludes net restructuring charges and improved from a profit of $24 million in the first half of 2016 and a loss of $172 million in the second half of 2016 mainly driven by lower loan impairment levels. The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income was broadly stable year-on-year but fell 4 per cent half-on-half to $809 million. Income performance was supported by growth in customer balances and transaction volumes as well as US dollar interest rate rises. Half-on-half income was lower, driven by lower levels of volatility compared with the second half of 2016 as well as actions taken to improve our risk profile. The external environment remains challenging with continued downward pressure on margins and spreads in Lending, Trade Finance and Financial Markets.

Income in the UK rose 11 per cent year-on-year to $400 million, driven by improved performance in Asset and Liability Management income following more favourable market conditions. Cash Management income was also higher year-on-year, benefiting from higher balances and the impact of US dollar interest rate rises. This was partly offset by a decline in Financial Markets income due to lower levels of volatility. Half-on-half, income in the UK declined 7 per cent as a result of lower gains on credit and funding valuation adjustments and lower volatility in Financial Markets.

Income in the US was broadly stable year-on-year but rose 9 per cent half-on-half to $342 million, as good momentum observed as we entered the year continued into the second quarter, particularly in Cash Management and Financial Markets. The year-on-year performance was impacted by lower income in Lending following our actions to improve our risk profile.

Expenses

Expenses were up 2 per cent year-on-year and 7 per cent half-on-half as ongoing business efficiency initiatives were offset by increased investment to build infrastructure to grow the business.

Impairment

Loan impairment declined 49 per cent year-on-year and 84 per cent half-on-half as a result of earlier actions taken to reduce exposure to higher risk sectors.

Balance sheet

Loans and advances to customers declined 6 per cent since the end of 2016, driven by lower reverse repos, Lending and Trade Finance balances. Risk-weighted assets (RWA) fell 7 per cent in the first half, impacted by initiatives to enhance capital efficiency and actions taken to improve our risk profile as well as the reduction in loans and advances to customers. Customer accounts increased 11 per cent, primarily driven by growth in repos and money market balances.

Central & other items, region

Region overview

Central & other items comprises a number of central items that are not managed directly by regions. These include:

- Corporate centre costs including the UK bank levy
- Treasury activities
- Certain strategic investments
- Globally run businesses and activities managed by client segments, but not by regional management, including private equity investments within our Principal Finance business and Portfolio Management

Underlying performance	**6 months ended 30.06.17 $million[1]**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	H1 2017 vs H2 2016 Better/(worse) %	H1 2017 vs H1 2016 Better/(worse) %
Operating income	**271**	192	(32)	41	947
Operating expenses	**(193)**	(702)	(177)	73	(9)
Loan impairment	**–**	(18)	(104)	nm	nm
Other impairment	**(25)**	(159)	(163)	84	85
Profit/(loss) from associates and joint ventures	**6**	(1)	5	nm	20
Underlying profit/(loss) before taxation	**59**	(688)	(471)	109	113
Restructuring	**(86)**	(79)	(1)	(9)	nm
Gains arising on repurchase of subordinated liabilities	**–**	–	84	nm	nm
Goodwill impairment	**–**	(166)	–	nm	nm
Statutory loss before taxation	**(27)**	(933)	(388)	97	93
Risk-weighted assets	**171**	(229)	1,110	175	(85)

1 In 2016 the Group decided to exit Principal Finance and consequently from 1 January 2017 related gains and losses are treated as restructuring and excluded from the Group's underlying performance

Financial performance summary

Statutory loss before taxation of $27 million in the first half of 2017 improved from a loss of $388 million in the first half of 2016 driven by lower losses from Principal Finance which impacted both income and impairments in 2016. The more significant half-on-half improvement from a loss of $933 million was also impacted by the inclusion of the UK bank levy charge of $383 million in the second half of 2016.

Underlying profit before taxation of $59 million in the first half of 2017 improved from a loss of $471 million in the first half of 2016 and a loss of $688 million in the second half of 2016, driven by the same factors.

The difference between underlying and statutory profit before taxation is explained by the following items, which are excluded from underlying performance:

- Restructuring charge of $86 million in the first half of 2017 compared with $1 million in the first half of 2016 and $79 million in the second half of 2016
- Gains arising on the repurchase of subordinated liabilities of $84 million in the first half of 2016, when the Group bought back issued debt from the market at a discount related
- Goodwill impairment of $166 million in the second half of 2016 relating to our business in Thailand

The commentary that follows is on an underlying basis, unless otherwise stated.

Income

Income increased to $271 million in the first half of 2017 compared with $192 million in the second half of 2016 and negative $32 million in the first half of 2016 due to the absence of fair value writedowns on private equity investments in Principal Finance, and lower interest expense following the replacement of subordinated debt on issue with Additional Tier 1 securities during 2016.

Expenses

Expenses increased 9 per cent year-on-year as the absence of costs relating to Principal Finance was more than offset by the phasing of expenses in the prior year. Expenses declined 73 per cent half-on-half, mainly due to the inclusion of the UK bank levy of $383 million in the second half of 2016.

Impairment

There were no loan impairments in the first half of 2017 compared with $104 million in the first half of 2016 and $18 million in the second half of 2016. Other impairment of $25 million was also significantly lower compared with $163 million and $159 million in the first and second half of 2016 respectively. The elevated level of impairment in 2016 primarily related to private equity investments within our Principal Finance business. From 1 January 2017, the Principal Finance business is treated as restructuring and excluded from the Group's underlying performance.

Balance sheet

Risk-weighted assets (RWA) increased primarily due to lower Portfolio Management risk-weighted asset savings.

Risk update

There have been no material changes to the Group's policies and practices regarding the management and governance for Risk as described in the 2016 Annual Report.

Risk and Compliance
The Risk and Compliance functions are integrally involved in the Group's strategic decision-making process. They form an integrated second line of defence that ensures the Group's strategic decisions are aligned to the Board-specified risk appetite for financial and non-financial risk types as well as to the approved strategy. These risks are managed and reported in accordance with the Group's risk management framework

Update on key risk priorities
This section reports the progress on some of the Group's key risk objectives in the last six months.

Build on the Group's risk culture – The Group continued to make progress on the end-to-end ownership of risk within the business teams. Regional and global capital allocation forums managed by the Credit Portfolio Management team have been set up with the purpose of improving origination discipline and this focus is yielding positive results in terms of the quality of origination.

The Group is enhancing the Enterprise Risk Management Framework to facilitate more dynamic risk identification and management processes, establishing a clear linkage between strategic decision-making and risk management, as well as the identification and management of interconnectedness across risk types.

Right-size our risk appetite – The Group implemented a revised risk appetite across both financial and non-financial risk types and more granular risk appetite limits in partnership with the business in order to manage concentration risks. Apart from improving the quality of origination, the Group has also been disciplined in reducing risk through outright sales, insurance, and risk participation.

Enhance the compliance risk management framework – The Group continued to focus on achieving the highest possible standards of conduct from all employees under its firm-wide conduct programme. The programme's focus is to entrench responsibility across businesses, functions and geographies in a systematic manner. The Management Team leads the implementation, with enhanced communication around 'speaking up' and 'whistle-blowing' programmes. The Group is also in the process of refining its target operating model to enhance its effectiveness of risk management as well as to improve efficiency.

Manage financial crime risks – The Group's investment in controls, systems and data analytics is improving its ability to fight financial crime.

More information about the Group's commitment to fighting financial crime can be found at sc.com/fightingfinancialcrime

Improve the risk infrastructure – The Group has multiple initiatives to improve infrastructure for exposure management, data quality, stress testing, operational risk management and reporting.

Manage and improve information and cyber security – The key focus areas include: improving management engagement, governance, and regulatory response; strengthening the Group's security culture; protecting the Group's critical assets; and integrating security and trust into the Group's innovation agenda. This is being managed through multiple initiatives being run across the Group and will remain an area of focus and investment.

Manage emerging credit risks – The Group is monitoring its portfolios for emerging geopolitical events such as those relating to Qatar, North Korea and Brexit.

Update on portfolio quality
The Group has taken steps to improve risk management and manage its portfolio more actively in the last two years. In the first half of 2017, the Group has been growing in targeted sectors and geographies with strong credit clients, while actively reducing exposures to weaker credit and lower returning clients. The Group remains well diversified across borrowers, industry sectors and geographies.

The credit quality of the Corporate & Institutional Banking and Commercial Banking portfolio has improved over the last 12 months and remained stable through the first half of 2017 as the Group continued to reposition it in line with its updated risk appetite. While early alerts decreased in the first half of 2017, the Group remains vigilant in view of persistent challenging conditions in some markets and sectors.

The Group's portfolio remains diversified across industries, products, geographies and single names which serves to mitigate risk. Loans and advances to the financing, insurance and non-banking industry are mostly to investment-grade institutions and remain the largest concentration amongst Corporate & Institutional Banking and Commercial Banking exposures, accounting for 26 per cent of total customer loans and advances. All other industry concentrations are below 14 per cent. Top 20 corporate exposures as a percentage of Tier 1 capital have remained broadly stable at 56 per cent (H2 2016: 55 per cent, H1 2016: 62 per cent).

The Group's client exposures remain short tenor and collateralisation remains high for long-term sub-investment grade exposures. The Group holds a diverse mix of collateral, valued conservatively. Over half of long-term sub-investment grade exposures are collateralised.

Retail Banking products account for 41 per cent of total customer loans and advances, of which 84 per cent are fully secured given the Group's focus on Mortgage and Wealth Management products. The overall loan-to-value ratio for the Mortgage portfolio is stable at less than 48 per cent. The Group has low exposure to asset classes outside its core markets.

The liquidity position of the Group remains strong with an advances-to-deposits ratio of 67.5 per cent in the first half of 2017. The Group is a net provider of liquidity to the interbank markets and has a customer account base that is diversified by type and tenor.

Key indicators

	30.06.17	31.12.16	30.06.16	31.12.15
Corporate & Institutional Banking and Commercial Banking				
Investment grade corporate exposures as a percentage of total exposures	**54%**	56%	51%	46%
Exposures maturing in one year or less as a percentage of total loans and advances to customers	**70%**	70%	72%	67%
Early alert portfolio ($ billion)	**10.4**	12.9	15.1	12.3
Aggregate Top 20 corporate exposures as a percentage of Tier 1 capital	**56%**	55%	62%	61%
Collateralisation of sub-investment grade exposures maturing in more than 1 year	**56%**	55%	58%	59%
Retail Banking				
Loan-to-value ratio of retail mortgages	**48%**	49%	50%	49%
Group ongoing business				
Credit grade 12 ($ billion)	**1.3**	1.5	1.2	0.9
Gross NPLs ($ billion)	**6.3**	5.9	6.0	5.2
Cover ratio	**67%**	69%	62%	62%

Update on non-performing loans (NPLs) and credit grade 12 (CG12) exposures

CG12 exposures, the lowest of the performing grades for the Group, decreased from $1,521 million in 2016 (ongoing portfolio: $1,499 million) to $1,304 million in the first half of 2017 (ongoing portfolio: $1,283 million). CG12 inflows decreased in the first half across both Corporate & Institutional Banking and Commercial Banking.

Gross non-performing loans (NPLs) for the ongoing business increased from $5.9 billion at the end of 2016 to $6.3 billion at the end of the first half of 2017, mainly due to increases in gross NPLs in Corporate & Institutional Banking (H1 2017: $3.8 billion, H2 2016: $3.1 billion). This was partly offset by a reduction in gross NPLs in Commercial Banking (H1 2017: $2.0 billion, H2 2016: $2.2 billion). The increase in gross NPL inflows for Corporate & Institutional Banking was mainly driven by a small number of corporate accounts in India and Africa. The majority of these accounts were on early alert for an extended period of time and the Group was able to reduce exposures in many cases through its risk mitigating actions before transferring them to NPLs in 2017. These transfers do not indicate any new areas of stress in the portfolio. The NPL inflows from parts of the portfolio experiencing stress and highlighted in previous results such as the commodity sector and diamond and jewellery sector were muted during the period.

The cover ratio for the Group's ongoing portfolio has reduced slightly from 69 per cent in 2016 to 67 per cent in the first half of 2017, though remained stable at 73 per cent (2016: 74 per cent) including collateral. The cover ratio for Corporate & Institutional Banking reduced slightly from 62 per cent at the end of 2016 to 61 per cent in the first half of 2017, though again remained broadly stable at 65 per cent (2016: 65 per cent) including collateral. The cover ratios for Commercial Banking at 74 per cent (2016: 75 per cent) and for Retail Banking at 84 per cent (2016: 85 per cent) remained broadly stable.

Risk performance for the first half of 2017

Loan impairment in the Group's ongoing business improved from the elevated levels seen in 2015 and 2016. Loan impairment in the ongoing business of $583 million in the first half of 2017 was significantly lower than previous periods (H2 2016: $1,286m; H1 2016: $1,096m). Risk performance by client segment was as follows:

- Corporate & Institutional Banking ongoing business loan impairment of $369 million was down year-on-year and half-on-half, driven by lower levels of loan impairment observed in the commodity sector and diamond and jewellery sector. Loan impairment in the first half was attributable to a few accounts in India and in the commodity-related sector.
- Commercial Banking ongoing business loan impairment of $42 million was significantly better than in previous periods (H2 2016: $244 million and H1 2016: $247 million). The improvement was mainly observed in the ASEAN & South Asia and Africa & Middle East regions, reflecting improvements in credit and account management.
- Retail Banking loan impairment for the first half of 2017 was $172 million, an improvement on the run-rate seen in 2016 (H2 2016: $247 million, H1 2016: $242 million) due in part from previous actions taken to reduce higher risk unsecured exposures and the sale of a fully provided loan portfolio in Korea.
- Other impairment of $84 million was primarily related to impairment against aircraft and shipping assets
- Restructuring portfolio loan impairment was $72 million in the first half of 2017, of which $61 million was related to the liquidation portfolio and the rest was related to the Principal Finance portfolio and Retail Banking portfolio in Thailand.

Loan Impairment	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million	6 months ended 31.12.15 $million
Corporate & Institutional Banking	**369**	795	606	525
Commercial Banking	**42**	244	247	677
Private Banking	**–**	–	1	–
Retail Banking	**172**	247	242	313
Central & Other items	**–**	–	–	4
Total Ongoing Business	**583**	1,286	1,096	1,519
Restructuring charge (including liquidation portfolio)	**72**	209	200	1805

Principal risks and uncertainties

The Group is in the business of taking selected risks to generate shareholder value, and seeks to contain and mitigate these risks to ensure they remain within risk appetite and are adequately compensated.

The following tables demonstrate the Group's approach to managing principal risks, mitigating strategies for principal uncertainties and the Group's perception of how these uncertainties have changed since 2016.

PRINCIPAL RISKS[1]	HOW THEY ARE MANAGED
Credit risk and country cross-border risk	The Group manages its credit and country cross-border exposures following the principle of diversification across products, regions, client segments and industry sectors
Market risk	The Group controls its trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Group's franchise
Liquidity and funding risk	The Group should be able to manage its portfolio to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support
Capital risk	The Group maintains a strong capital position including the maintenance of management buffers sufficient to support its strategic aims
Operational risk (including, among others, financial crime, regulatory compliance and cyber risk)	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including those related to the conduct of business matters, do not cause material damage to the Group's franchise
Strategic risk	The Group reviews its strategy on an annual basis to take account of external and internal developments and monitors the execution of strategic plans to ensure their effective implementation
Reputational risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed by the appropriate level of management and governance oversight

1 Principal risk types are risks that are inherent to our business and strategy and have been formally defined in the Group's Risk Management Framework. The Risk Management Framework provides a structure for the monitoring and control of these risks through the Board-approved risk appetite

In the first half of 2017, the Group's principal uncertainties were broadly similar to those identified at the end of 2016. The risk of cyber crime heightened in 2017 due to the increased frequency and impact of major cyber crime events (e.g. the WannaCry ransomware attack). Market volatility from geopolitical uncertainties in markets where the Group operates heightened in the first half of 2017 due to developments in the Middle East, North Korea and continued risks of further protectionist policies impacting global growth. On the other hand, uncertainty around the operational performance of the Group has decreased as the Group continues to execute on the agreed strategy consistent with the Board-approved risk appetite.

PRINCIPAL UNCERTAINTIES[1]	CHANGE FROM PRIOR YEAR	HOW THIS IS MITIGATED
Macroeconomic conditions including moderation of growth and high leverage in China, asset price correction and potential increasing protectionist policies following the US Presidential election	Risk remained consistent with 2016 levels	• We have a framework that provides a 12 to 18 month forward view of the economic, business and credit conditions across our key markets, enabling us to take proactive action • We monitor economic trends and geopolitical events and conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible events
Market volatility from geopolitical uncertainties in a number of markets in which the Group operates	Risk remained consistent with 2016 levels	• We ensure that there is regular senior level oversight, through the Group Risk Committee, of work undertaken to assess and manage geopolitical risk • We continue to proactively assess and where appropriate, manage the impact to the Group and our exposures to clients, taking account of geopolitical risks and their impact on financial markets
Evolving impact of regulatory requirements	Risk remained consistent with 2016 levels	• We monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model • We have implemented Group-wide policies and procedures to manage the risks associated with regulatory change and to inform behaviour across the organisation with clear accountability and responsibilities
Evolving financial crime and fraud	Risk remained consistent with 2016 levels	• We continue to execute the Financial Crime Risk Mitigation Programme • A Global Fraud Risk Management Group has been instituted to ensure there is an enterprise-wide approach to fraud management
Cyber risk	Risk heightened in 2017	• The Group has implemented a range of cyber risk defences to protect from hacking, misuse, malware, errors, social engineering and physical threats in recognition of heightened risk of cyber security • We continue to invest to raise security awareness across the Group, develop the capability of our technical defences, improve our control frameworks, and share intelligence to keep pace with the evolving threat in cyber space
Operational performance eroding confidence in the Group	Risk decreasing from 2016 levels	• The Group has a clear strategy, consistent with the risk appetite and financial objectives that are agreed with the Board from time to time. • The strategy is reviewed and challenged regularly at Board level, with a focus on execution • We update our equity and debt providers and rating agencies regularly to ensure they understand our progress against strategy
Low interest rate environment	Risk decreasing from 2016 levels	• We monitor movements closely and adjust our exposures accordingly • We hedge our exposures to protect our capital ratio where practicable
Regulatory investigations, reviews and legal proceedings	Risk remained consistent with 2016 levels	• We have invested in improving compliance controls, including increasing the capacity and capability of compliance resources, enhancing systems and controls, and implementing remediation programmes • We are cooperating with all relevant ongoing reviews, requests for information and investigations and we actively manage legal proceedings, including in respect of legacy issues. We are restructuring or otherwise mitigating higher-risk business activities

1 Principal uncertainties are specific events or emerging risks that arise from horizon scanning of the internal and external environment. Principal uncertainties are mitigated where possible through the Board-approved risk appetite but also through bespoke actions and programmes that address specific risks arising from such uncertainties

Risk profile

The following sections of the Risk review form part of the financial statements and are reviewed by the external auditors:
From the start of the Risk profile section to the end of 'Operational risk' in the same section, excluding:

- Selected portfolios
- Country cross-border risk
- Market risk changes – risks not in value at risk (VaR)
- Market risk changes – backtesting
- Liquidity coverage ratio (LCR)
- Net stable funding ratio (NSFR)
- Stress coverage
- Liquidity pool
- Encumbrance
- Operational risk

The figures stated in these sections are based on the geographic location from which a client relationship is principally managed. This is consistent with how the business is managed and performance attributed internally.

Basis of preparation
Unless otherwise stated the balance sheet and income statement information presented within this section is based on the Group's management view. This is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. This view reflects how the client segments and regions are managed internally.

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

Credit risk
Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. The Group manages its credit exposures following the principle of diversification across products, regions, industries, collateral types and client segments.

There have been no material changes to the Group's policies and practices for the management of credit risk in the first half of 2017. The credit quality of the portfolio continues to benefit from steps taken over the last two years, with more recent added focus on the implementation of a more granular risk appetite and active portfolio management, which can be observed in the information presented below.

This section details the Group's credit risk exposure, split as follows:

- Credit quality analysis, which provides a breakdown of the loan portfolio by client segment categorised by credit quality (strong, satisfactory and higher risk)
- Problem credit management and provisioning, which provides an analysis of non-performing loans (by client segment and region) and impaired loans
- Credit risk mitigation, which provides analysis of collateral held by client segment and collateral type, and details of loan-to-value ratios and other forms of credit risk mitigation
- Industry and retail products: an analysis by region
- Selected portfolios, which provide further detail on commodity and commodity-related exposures

Credit quality analysis
Within the performing book, there is an analysis:

- By credit quality, which plays a central role in the quality assessment and monitoring of risk
- Of loans and advances past due but not impaired: a loan is considered past due if payment of principal or interest has not been made on its contractual due date
- Of loans and advances where an impairment provision has been raised: these represent certain forborne accounts that have complied with their revised contractual terms for more than 180 days and on which no further loss of principal is expected

Credit grade migration
Performing loans constitute 98 per cent of customer loans, which is consistent with the prior period.

Risk measurement plays a central role in risk-quantification and portfolio management decisions. The Group uses the advanced internal ratings-based (IRB) approach under the Basel III regulatory framework to calculate credit risk capital for the majority of its portfolios.

A standard credit risk grade (CG) scale for Corporate & Institutional Banking and Commercial Banking is used. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower credit grades are indicative of a lower likelihood of default. CG 1 to 12 is assigned to performing customers or accounts, while CG 13 and 14 are assigned to non-performing or defaulted customers.

The Group uses an internal risk mapping to determine the credit quality for loans, as shown in the table below.

As a result of the Group's active portfolio management and steps taken over the last two years to improve the quality of origination, the overall portfolio credit quality has improved year-on-year and remained stable through the first half of 2017. The new originations are in line with our granular risk appetite and diversified across sectors, geography, clients and products. The ratio of the Group loans and advances (L&A) classified as strong remains stable at 69 per cent of total L&A.

In Corporate & Institutional Banking, the strong credit quality category has increased by $5 billion due to increased lending to corporate clients across multiple industries, the largest increases were from food & household products ($1.1 billion), financing, insurance & non-banking ($1 billion), commercial real estate ($0.9 billion) and manufacturing ($0.7 billion). The satisfactory credit quality category has decreased by $1 billion due to action taken to reduce single name concentration and commodities exposure. Excluding the above two items, the credit quality composition across most sectors and countries is consistent with the prior year, although there has been some deterioration in India and Africa.

In Commercial Banking, the strong credit quality category has increased by $1.4 billion and the satisfactory credit quality category has increased by $1.5 billion. This growth was well diversified across multiple countries and industries with an average increase of over $0.1 billion per country or per industry.

Retail Banking credit quality remained stable during the first half of 2017.

The credit quality composition for loans to banks is also consistent with prior periods, with the majority of the growth in this period being in the strong category.

Performing L&A that are past due but not impaired increased by $1.7 billion in the first half of 2017. This increase was largely observed in the Middle East region driven by a holiday season in the region during the week of 30 June 2017. The past due balances arise substantially in the 'up to 30 days past due' category. In the Corporate & Institutional Banking and Commercial Banking segments, across all past due categories, approximately 73 per cent (2016: 73 per cent) of the amounts past due were regularised by 21 July 2017.

Mapping of credit quality

The Group uses the following internal risk mapping to determine the credit quality for loans:

Credit quality description	Corporate & Institutional Banking and Commercial Banking			Private Banking	Retail Banking
	Default Grade mapping	**S&P external ratings equivalent**	**PD range**	**Internal ratings**	**No of days past due**
Strong	Grades 1-5	AAA/AA+ to BB+/BBB-	0.000-0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	Grades 6-8 Grades 9-11	BB+ to BB-/B+ B+/B to B-/CCC	0.426-2.350 2.351-15.750	Class II and Class III	Loans past due till 29 days
Higher Risk	Grade 12	B-/CCC	15.751-50.000	GSAM managed	Past due loans 30 days and over till 90 days

1 The credit quality categories for performing loans were changed to align them to how the business is managed in Retail Banking and Private Banking. The categories for Corporate & Institutional Banking and Commercial Banking were aligned to external ratings categories

Non-performing loans (NPLs)

An NPL is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

NPLs are analysed, net of individual impairment provisions, between what is past due but not impaired and what is impaired.

NPLs (net of individual impairment provisions) remained stable, at $3.9 billion, compared to the second half of 2016.

NPLs (net of individual impairment provisions) for Corporate & Institutional Banking have increased by $0.1 billion and are mainly attributable to an increase in Europe & Americas region due to regional transfers of NPLs within the Liquidation Portfolio.

By Client segment

	30.06.17						
		Loans to customers					
	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Performing loans							
– Strong	70,233	68,130	95,629	6,281	8,613	5,215	183,868
– Satisfactory	9,430	53,943	2,110	19,798	3,858	52	79,761
– Higher risk	14	1,135	404	155	45	–	1,739
	79,677	123,208	98,143	26,234	12,516	5,267	265,368
Impaired forborne loans, net of provisions	–	–	262	–	–	–	262
Non-performing loans	6	2,596	328	718	286	–	3,928
Total loans	79,683	125,804	98,733	26,952	12,802	5,267	269,558
Portfolio impairment provision	(1)	(262)	(242)	(154)	(2)	–	(660)
Total net loans	79,682	125,542	98,491	26,798	12,800	5,267	268,898

The following table further analyses total loans included within the table above

	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Included in performing loans							
Neither past due nor impaired							
– Strong	69,968	67,222	95,629	6,263	8,613	5,213	182,940
– Satisfactory	9,316	52,242	–	19,107	3,812	52	75,213
– Higher risk	14	958	–	122	43	–	1,123
	79,298	120,422	95,629	25,492	12,468	5,265	259,276
Past due but not impaired							
– Up to 30 days past due	349	2,266	2,110	630	44	–	5,050
– 31–60 days past due	25	237	274	69	2	–	582
– 61–90 days past due	5	283	130	43	2	2	460
	379	2,786	2,514	742	48	2	6,092
Total performing loans	79,677	123,208	98,143	26,234	12,516	5,267	265,368
of which, forborne loans amounting to	–	840	103	99	–	–	1,042

	Loans to banks $million	Corporate and Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Included in non-performing loans							
Past due but not impaired							
– 91–120 days past due	–	–	69	–	–	–	69
– 121–150 days past due	–	–	62	–	–	–	62
	–	–	131	–	–	–	131
Individually impaired loans, net of provisions	6	2,596	197	718	286	–	3,797
Total non-performing loans	6	2,596	328	718	286	–	3,928
of the above, forborne loans	–	947	135	282	–	–	1,364

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

	Loans to banks $million	Corporate and Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Neither past due nor impaired							
– Strong	2,438	1,479	–	68	–	–	1,547
– Satisfactory	438	1,672	–	111	–	–	1,783
– Higher risk	–	–	–	–	–	–	–
	2,876	3,151	–	179	–	–	3,330
Individually impaired loans	–	29	–	–	–	–	29
Total loans held at fair value through profit and loss	2,876	3,180	–	179	–	–	3,359

	31.12.16						
		Loans to customers					
	Loans to banks $million	Corporate and Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Performing loans							
– Strong	66,954	63,547	91,186	4,851	7,816	4,023	171,423
– Satisfactory	7,682	55,207	1,560	18,296	3,767	233	79,063
– Higher risk	34	1,223	410	264	38	–	1,935
	74,670	119,977	93,156	23,411	11,621	4,256	252,421
Impaired forborne loans, net of provisions	–	–	251	–	–	–	251
Non-performing Loans	–	2,515	339	768	289	–	3,911
Total loans	74,670	122,492	93,746	24,179	11,910	4,256	256,583
Portfolio impairment provision	(1)	(261)	(258)	(166)	(2)	–	(687)
Total net loans	74,669	122,231	93,488	24,013	11,908	4,256	255,896

The following table further analyses total loans included within the table above

Included in performing loans							
Neither past due nor impaired							
– Strong	66,600	63,416	91,186	4,812	7,816	4,023	171,253
– Satisfactory	7,580	53,791	–	17,728	3,690	233	75,442
– Higher risk	34	1,121	–	188	18	–	1,327
	74,214	118,328	91,186	22,728	11,524	4,256	248,022
Past due but not impaired							
– Up to 30 days past due	456	1,402	1,560	539	91	–	3,592
– 31–60 days past due	–	100	282	111	–	–	493
– 61–90 days past due	–	147	128	33	6	–	314
	456	1,649	1,970	683	97	–	4,399
Total performing loans	74,670	119,977	93,156	23,411	11,621	4,256	252,421
of which, forborne loans amounting to	1	964	224	111	–	–	1,299
Included in non-performing loans							
Past due but not impaired							
– 91–120 days past due	–	–	72	5	–	–	77
– 121–150 days past due	–	–	60	12	–	–	72
	–	–	132	17	–	–	149
Individually impaired loans, net of provisions	–	2,515	207	751	289	–	3,762
Total non-performing loans	–	2,515	339	768	289	–	3,911
of the above, forborne loans	–	889	135	200	–	–	1,224

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

Neither past due nor impaired							
– Strong	1,659	1,769	–	–	–	–	1,769
– Satisfactory	401	1,346	–	47	–	–	1,393
– Higher risk	–	–	–	–	–	–	–
	2,060	3,115	–	47	–	–	3,162
Individually impaired loans	–	15	–	–	–	–	15
Total loans held at fair value through profit and loss	2,060	3,130	–	47	–	–	3,177

Problem credit management and provisioning

Impairments

A loan is impaired when we assess that we will not recover a portion of the contractual cash flows. Impaired loans are classified as follows:

- In Corporate & Institutional Banking, Commercial Banking and Private Banking, a loan is considered impaired where analysis and review indicate that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is 90 days overdue
- In Retail Banking, a loan is considered impaired when it meets certain defined threshold conditions in terms of overdue payments (contractual impairment) or meets other objective conditions such as bankruptcy, debt restructuring, fraud or death. A loan is considered delinquent (or past due), when the customer has failed to make a principal or interest payment in accordance with the loan contract

At a Group level, total loan impairment including the liquidation portfolio was $655 million representing 49 basis points (bps) of average customer loans and advances, down from $1,495 million in the second half of 2016.

Loan impairment in the Group's ongoing business improved from the elevated levels seen in 2015 and 2016. The ongoing business loan impairment of $583 million in the first half of 2017 is significantly lower than previous half years (H2 2016: $1.3 billion; H1 2016: $1.1 billion).

By client segment, the ongoing business loan impairment charge in Corporate & Institutional Banking decreased to $369 million when compared to $795 million in the second half of 2016 (H1 2016: $606 million). This was due to lower loan impairment in the commodity sector and diamond and jewellery sector. Loan impairment in the first half of 2017 was primarily driven by a small number of exposures in India and in the commodity-related sector. By region, ASEAN & South Asia contributed to 61 per cent of the Corporate & Institutional Banking impairment charge.

Commercial Banking ongoing business loan impairment fell by 83 per cent to $42 million in the first half of 2017 (H2 2016: $244 million; H1 2016: $247 million). This was driven by lower losses across the ASEAN & South Asia and Africa & Middle East regions, reflecting improvements in credit and account management, but we remain vigilant of emerging risks.

Retail Banking loan impairment improved to $172 million, a 30 per cent decrease relative to the second half of 2016 (H2 2016: $247m). The Retail Banking portfolio has continued to benefit from actions taken to reduce exposures in higher risk unsecured portfolios and improvement in the quality of new originations.

By industry, loan impairment has significantly decreased for the ongoing business in the commodity sector. In Corporate & Institutional Banking, loan impairment has dropped by 98 per cent to $3 million (H2 2016: $199 million), and in Commercial Banking loan impairment is down 93 per cent to $5 million (H2 2016: $74 million).

India has seen a large drop in loan impairment for the Commercial Banking ongoing business. In the first half of 2017, loan impairment was down 87 per cent to $7 million (H2 2016: $52 million). In contrast, impairment in Corporate & Institutional Banking was slightly higher at $127 million, an increase of 6 per cent compared to the second half of 2016 ($120 million). This was driven by a few exposures. The loan impairment for commodity clients in India was negligible in first half of 2017.

An additional liquidation portfolio impairment of $61 million was recognised in the first half of 2017 on a clearer view of realisable value. Further restructuring impairment also includes $4 million impairment relating to the non-strategic Principal Finance business.

The following table provides details of the impairment charge for the period.

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Ongoing business portfolio loan impairment			
Corporate & Institutional Banking	**369**	795	606
Retail Banking	**172**	247	242
Commercial Banking	**42**	244	247
Private Banking	**–**	–	1
Impairment on loans and advances and other credit risk provisions	**583**	1,286	1,096
Restructuring			
Liquidation portfolio loan impairment	**61**	209	200
Others	**11**	–	–
Impairment on loans and advances and other credit risk provisions	**72**	209	200
Total loan Impairment	**655**	1,495	1,296

Non-performing loans by client segment

Gross NPLs increased by $235 million, or 2 per cent, compared to 2016. These increases in NPLs were primarily due to Corporate & Institutional Banking where NPLs increased by 7 per cent to $6.9 billion, partially offset by a decrease in Commercial Banking and the liquidation portfolio.

Compared to the second half of 2016, Corporate & Institutional Banking ongoing business NPLs increased by $626 million, or 20 per cent to $3.8 billion mainly as a result of the deterioration of a few large cases in India. The first half of 2017 included the full recovery from a material downgrade. Lower levels of write-offs were observed in the first half of 2017.

For sectors with previously high NPL exposures, specifically commodities and diamond and jewellery, inflows into CG12 and NPLs were muted in the first half of 2017. The liquidation portfolio reduced by $190 million to $3.1 billion mainly due to recoveries.

NPLs in Commercial Banking reduced by $187 million or 8 per cent compared to the second half of 2016. Commercial Banking NPL inflows for the first half of 2017 have also reduced when compared to the second half of 2016.

The table below presents the movement of gross NPLs to banks and customers, together with the provisions held and the respective cover ratios for all segment.

Provisions

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and advances.

Provisions are taken in the form of:

- Individually impaired provisions (IIP)
- Portfolio impairment provisions (PIP), which cover the inherent losses in the portfolio that exist at the balance sheet date but have not been individually identified

Individual impairment provisions

In Corporate & Institutional Banking, individual impairment provisions on the balance sheet for NPLs increased by $349 million, or 9 per cent, compared to the second half of 2016. This was mainly driven by higher provisions in the ongoing business which increased by $339 million. Commercial Banking individual impairment provisions on the balance sheet for NPLs decreased by $137 million.

Retail Banking individual impairment provisions remained stable.

Portfolio impairment provisions

Portfolio impairment provision balances have decreased by $27 million from 2016. There was a decrease of $16 million in the Retail Banking segment and $12 million in the Commercial Banking segment due to improvement in credit quality.

Cover ratio

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

The cover ratio for the Group has remained broadly stable, with and without collateral. The cover ratio for the Group currently stands at 67 per cent (2016: 67 per cent).

The cover ratio for the Group's ongoing portfolio has reduced slightly from 69 per cent in 2016 to 67 per cent in the first half of 2017, though remained broadly stable at 73 per cent including collateral.

By client segment, the cover ratio for Corporate & Institutional Banking ongoing business reduced slightly from 62 per cent at the end of the year to 61 per cent in the first half of 2017, though again remained stable at 65 per cent (2016: 65 per cent) including collateral. The cover ratio for Commercial Banking at 74 per cent (2016: 75 per cent) and for Retail Banking at 84 per cent (2016: 85 per cent) remained broadly stable

The balance of NPLs not covered by individual impairment provisions represents the adjusted value of collateral held and the Group's estimate of the net outcome of any workout or recovery strategy.

Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions.

	30.06.17				
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
Gross non-performing loans at 30 June	6,912	537	2,182	291	9,922
Individual impairment provisions[1]	(4,310)	(209)	(1,464)	(5)	(5,988)
Net non-performing loans	2,602	328	718	286	3,934
Portfolio impairment provision	(263)	(242)	(154)	(2)	(661)
Total	2,339	86	564	284	3,273
Cover ratio	66%	84%	74%	2%	67%
Collateral ($ million)	671	259	352	255	1,537
Cover ratio (after collateral)	72%	87%	83%	89%	76%
Of the above, included in liquidation portfolio					
Gross non-performing loans at 30 June	3,143	–	219	257	3,619
Individual impairment provisions	(2,277)	–	(160)	–	(2,437)
Net non-performing loans	866	–	59	257	1,182
Total	866	–	59	257	1,182
Cover ratio	72%	–	73%	–	67%
Collateral ($ million)	272	–	–	227	499
Cover ratio (after collateral)	81%	–	73%	88%	81%

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

	31.12.16				
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
Gross non-performing loans at 31 December	6,476	548	2,369	294	9,687
Individual impairment provisions[1]	(3,961)	(209)	(1,601)	(5)	(5,776)
Net non-performing loans	2,515	339	768	289	3,911
Portfolio impairment provision	(262)	(258)	(166)	(2)	(688)
Total	2,253	81	602	287	3,223
Cover ratio	65%	85%	75%	2%	67%
Collateral ($ million)	702	255	358	290	1,605
Cover ratio (after collateral)	72%	85%	83%	100%	76%
Of the above, included in liquidation portfolio					
Gross non-performing loans at 31 December	3,333	–	213	261	3,807
Individual impairment provisions	(2,267)	–	(154)	–	(2,421)
Net non-performing loans	1,066	–	59	261	1,386
Cover ratio	68%	–	72%	–	64%
Collateral ($ million)	356	–	–	261	617
Cover ratio (after collateral, excluding PIP)	79%	–	72%	100%	80%

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

Non-performing loans by region

The following tables set out the total non-performing loans to banks and customers by region. The increase in NPLs for Europe & Americas was due to regional transfers of NPLs within the liquidation portfolio. This was part of the broader strategy to exit the liquidation portfolio. The increase in NPLs for ASEAN & South Asia was due to a small number of new NPLs in India.

	30.06.17				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Loans and advances					
Gross non-performing	1,100	4,794	2,742	1,286	9,922
Individual impairment provision[1]	(598)	(2,813)	(1,811)	(766)	(5,988)
Non-performing loans net of individual impairment provision	502	1,981	931	520	3,934
Portfolio impairment provision	(177)	(228)	(128)	(128)	(661)
Net non-performing loans and advances	325	1,753	803	392	3,273
Cover ratio	70%	63%	71%	70%	67%

	31.12.16				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & MENAP $million	Europe & Americas $million	Total $million
Loans and advances					
Gross non-performing	1,170	4,711	2,739	1,067	9,687
Individual impairment provision[1]	(600)	(2,659)	(1,847)	(670)	(5,776)
Non-performing loans net of individual impairment provision	570	2,052	892	397	3,911
Portfolio impairment provision	(198)	(236)	(128)	(126)	(688)
Net non-performing loans and advances	372	1,816	764	271	3,223
Cover ratio	68%	61%	72%	75%	67%

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

Individual and portfolio impairment provision

The present value of estimated future cash flows, discounted at the asset's original effective interest rate, is used to determine the amount of any impairment. In the case of the liquidation portfolio, the effect and timing of the disposal strategy is included in the estimate of future cash flows.

Amounts written off were lower in the first half of 2017 relative to the previous half year, reflecting write-offs that took place during 2016 in the liquidation portfolio and exposure write-offs in the ongoing business in India and China.

	30.06.17			30.06.16		
	Individual impairment provisions $million	**Portfolio impairment provisions $million**	**Total $million**	Individual impairment provisions $million	Portfolio impairment provisions $million	Total $million
Provisions held at 1 January	**5,830**	**688**	**6,518**	6,186	658	6,844
Exchange translation differences	**77**	**11**	**88**	(32)	3	(29)
Amounts written off	**(642)**	**–**	**(642)**	(1,064)	–	(1,064)
Recoveries of amounts previously written off	**101**	**–**	**101**	85	–	85
Discount unwind	**(41)**	**–**	**(41)**	(175)	–	(175)
Transferred to assets held for sale	**(4)**	**3**	**(1)**	–	(4)	(4)
New provisions – restructuring	**72**	**–**	**72**	200	–	200
New provisions – excluding restructuring	**905**	**32**	**937**	1,137	97	1,234
New provisions	**977**	**32**	**1,009**	1,337	97	1,434
Recoveries/provisions no longer required	**(255)**	**(73)**	**(328)**	(170)	(69)	(239)
Net impairment charge/(releases) against profit	**722**	**(41)**	**681**	1,167	28	1,195
Provisions held at 30 June	**6,043**	**661**	**6,704**	6,167	685	6,852

	31.12.16		
	Individual impairment provisions $million	Portfolio impairment provisions $million	Total $million
Provisions held at 1 July	6,167	685	6,852
Exchange translation differences	(36)	(12)	(48)
Amounts written off	(1,681)	–	(1,681)
Recoveries of amounts previously written off	92	–	92
Discount unwind	(112)	–	(112)
Transferred to assets held for sale	(16)	(9)	(25)
New provisions – restructuring	209	–	209
New provisions – excluding restructuring	1,445	108	1,553
New provisions	1,654	108	1,762
Recoveries/provisions no longer required	(268)	(84)	(352)
Net impairment charge against profit	1,386	24	1,410
Other movements[1]	30	–	30
Provisions held at 31 December	5,830	688	6,518

1 Other movements include provision for liabilities and charges that have been drawn down and are now part of loan impairment

Individually impaired loans by client segment

Gross individually impaired loans for Corporate & Institutional Banking increased by $0.4 billion or 7 per cent compared to the second half of 2016. This represents a gross increase of $626 million in the ongoing business, which was offset by a fall in the liquidation portfolio. This was primarily in the ASEAN & South Asia region as a result of a small number of exposures.

Gross impaired loans in the Retail Banking book remained broadly stable at $0.7 billion.

The following table shows the movement of individually impaired loans and provisions for each client segment:

	30.06.17				
	Corporate & Institutional Banking $million	**Retail Banking $million**	**Commercial Banking $million**	**Private Banking $million**	**Total $million**
Gross impaired loans at 30 June	**6,912**	**723**	**2,182**	**291**	**10,108**
Provisions held at 1 January	**3,961**	**262**	**1,602**	**5**	**5,830**
Exchange translation differences	**41**	**9**	**27**	**–**	**77**
Amounts written off	**(139)**	**(277)**	**(226)**	**–**	**(642)**
Recoveries of amounts previously written off	**10**	**82**	**9**	**–**	**101**
Discount unwind	**(18)**	**(12)**	**(11)**	**–**	**(41)**
Transferred to assets held for sale	**–**	**(4)**	**–**	**–**	**(4)**
New provisions	**549**	**321**	**107**	**–**	**977**
Recoveries/provisions no longer required	**(94)**	**(117)**	**(44)**	**–**	**(255)**
Net individual impairment charge against profit	**455**	**204**	**63**	**–**	**722**
Individual impairment provisions held at 30 June	**4,310**	**264**	**1,464**	**5**	**6,043**
Net individually impaired loans	**2,602**	**459**	**718**	**286**	**4,065**

	30.06.16				
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
Gross impaired loans at 30 June	9,229	783	2,568	310	12,890
Provisions held at 1 January	4,230	337	1,616	3	6,186
Exchange translation differences	(19)	2	(14)	(1)	(32)
Amounts written off	(500)	(364)	(200)	–	(1,064)
Recoveries of amounts previously written off	1	84	–	–	85
Discount unwind	(146)	(14)	(15)	–	(175)
New provisions	682	395	257	3	1,337
Recoveries/provisions no longer required	(26)	(122)	(21)	(1)	(170)
Net individual impairment charge against profit	656	273	236	2	1,167
Individual impairment provisions held at 30 June	4,222	318	1,623	4	6,167
Net individually impaired loans	5,007	465	945	306	6,723

	31.12.16				
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
Gross impaired loans at 31 December	6,476	720	2,353	294	9,843
Provisions held at 1 July	4,222	318	1,623	4	6,167
Exchange translation differences	(58)	(5)	26	1	(36)
Amounts written off	(939)	(358)	(320)	(64)	(1,681)
Recoveries of amounts previously written off	7	80	5	–	92
Discount unwind	(84)	(12)	(16)	–	(112)
Transferred to assets held for sale	–	(16)	–	–	(16)
New provisions	892	368	330	64	1,654
Recoveries/provisions no longer required	(108)	(113)	(47)	–	(268)
Net individual impairment charge against profit	784	255	283	64	1,386
Other movements	29	–	1	–	30
Individual impairment provisions held at 31 December	3,961	262	1,602	5	5,830
Net individually impaired loans	2,515	458	751	289	4,013

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance, credit derivatives taking into account expected volatility and guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Collateral

As a result of reinforcing the Group's collateralisation requirements, the fair value of collateral held as a percentage of amount outstanding has remained stable since the end of 2016.

The unadjusted market value of collateral across all asset types for Corporate & Institutional Banking and Commercial Banking, without adjusting for over-collateralisation, was $241 billion (2016: $229 billion).

The collateral values for Corporate & Institutional Banking and Commercial Banking in the table below are adjusted where appropriate in accordance with the Group's risk mitigation policy and for the effect of over-collateralisation. 47 per cent of these clients that have placed collateral with the Group are over collateralised. The average amount of over-collateralisation is 43 per cent.

The increase of reverse repurchase (repo) collateral from 56 per cent to 62 per cent was due to increased liquidity management activity by the Group.

The average loan-to-value (LTV) ratio of the commercial real estate (CRE) portfolio increased to 42 per cent (2016: 39 per cent). The proportion of loans with an LTV greater than 80 per cent for the Corporate & Institutional Banking and Commercial Banking has remained at less than 1 per cent during the same period.

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

	Collateral			Amount outstanding[1]		
		Of which			Of which	
	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million
As at 30 June 2017[2]						
Corporate and Institutional Banking	**60,545**	**192**	**671**	**183,808**	**3,165**	**6,912**
Retail Banking	**76,587**	**1,877**	**259**	**98,981**	**2,645**	**723**
Commercial Banking	**6,913**	**411**	**352**	**27,721**	**742**	**2,182**
Private Banking	**9,048**	**47**	**255**	**12,623**	**48**	**291**
Central & Other Items	**5,240**	**–**	**–**	**26,108**	**2**	**–**
Total	**158,333**	**2,527**	**1,537**	**349,241**	**6,602**	**10,108**
As at 31 December 2016[2]						
Corporate and Institutional Banking	57,378	93	702	174,877	2,105	6,476
Retail Banking	73,352	1,527	255	93,846	2,102	720
Commercial Banking	7,084	393	358	25,042	700	2,353
Private Banking	7,584	94	290	11,926	97	294
Central & Other Items	5,912	–	–	25,562	–	–
Total	151,310	2,107	1,605	331,253	5,004	9,843

1 Includes loans held at fair value through profit or loss

2 Includes loans and advances to banks

Corporate & Institutional Banking and Commercial Banking
Collateral held against Corporate & Institutional Banking and Commercial Banking exposures amounted to $67 billion (2016: $64 billion).

Our underwriting standards encourage taking specific charges on assets and we consistently seek high quality, investment grade collateral. 28 per cent of collateral held comprises physical assets or is property based, with the remainder held largely in cash and investment securities.

Collateral taken for longer-term and sub-investment grade Corporate loans continues to be high at 56 per cent (55 per cent in 2016). Collateral is also held against off-balance sheet exposures, including undrawn commitments and trade-related instruments.

The proportion of highly rated reverse repos to total collateral has increased from 43 per cent in 2016 to 46 per cent in H1 2017.

The following table provides an analysis of the types of collateral held against Corporate & Institutional Banking and Commercial Banking loan exposures.

	30.06.17 $million	31.12.16 $million
Property	**10,344**	10,763
Plant, machinery and other stock	**3,914**	4,509
Cash	**6,779**	8,842
Reverse repo & Securities	**41,912**	35,930
AAA	**77**	327
AA- to AA+	**30,715**	27,660
BBB- to BBB+	**3,785**	2,657
Lower than BBB-	**352**	854
Unrated	**6,983**	4,432
Commodities	**455**	776
Ships and aircraft	**4,054**	3,642
Total value of collateral	**67,458**	64,462

Retail Banking and Private Banking
In Retail Banking and Private Banking, 84 per cent of the portfolio is fully secured, given the focus on mortgage and wealth management products.

The proportion of unsecured loans remains broadly stable from 2016 at 14 per cent.

The overall LTV ratio of our mortgage portfolio is less than 50 per cent, relatively unchanged since the end of 2016. All the Group's key markets continue to have low portfolio LTVs.

Hong Kong mortgage average LTV is at 40 per cent, while Korea, Singapore and Taiwan average mortgage LTV are at 50 per cent, 60 per cent and 50 per cent respectively.

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

	30.06.17				31.12.16			
	Fully secured $million	**Partially secured $million**	**Unsecured $million**	**Total1 $million**	Fully secured $million	Partially secured $million	Unsecured $million	Total[1] $million
Loans to individuals								
Mortgages	**76,752**	**24**	**–**	**76,776**	73,484	23	–	73,507
CCPL	**327**	**689**	**15,559**	**16,575**	360	690	15,156	16,206
Auto	**622**	**–**	**3**	**625**	635	–	3	638
Secured wealth products	**12,566**	**127**	**10**	**12,703**	11,036	44	–	11,080
Other	**3,579**	**902**	**375**	**4,856**	2,935	875	415	4,225
	93,846	**1,742**	**15,947**	**111,535**	88,450	1,632	15,574	105,656
Percentage of total loans	**84%**	**2%**	**14%**		83%	2%	15%	

1 Amounts net of individual impairment provisions

Mortgage loan-to-value ratios by region
The following table provides an analysis of LTV ratios by region for the mortgages portfolio:

	30.06.17				
	Greater China & North Asia %	ASEAN & South Asia %	Africa & Middle East %	Europe & Americas %	Total %
Less than 50 per cent	**59.7**	**36.4**	**22.8**	**35.2**	**52.6**
50 per cent to 59 per cent	**16.2**	**16.9**	**16.4**	**33.1**	**16.6**
60 per cent to 69 per cent	**18.1**	**18.8**	**23.0**	**19.7**	**18.4**
70 per cent to 79 per cent	**5.1**	**20.5**	**20.8**	**9.4**	**9.3**
80 per cent to 89 per cent	**0.8**	**6.6**	**10.6**	**1.1**	**2.5**
90 per cent to 99 per cent	**0.1**	**0.5**	**3.6**	**1.4**	**0.3**
100 per cent and greater	**0.1**	**0.4**	**2.9**	**–**	**0.2**
Average portfolio loan to value	**44.9**	**55.2**	**63.5**	**46.2**	**47.8**
Loans to individuals – Mortgages ($million)	**53,287**	**19,796**	**2,266**	**1,427**	**76,776**

	31.12.16				
	Greater China & North Asia %	ASEAN & South Asia %	Africa & Middle East %	Europe & Americas %	Total %
Less than 50 per cent	55.9	36.9	22.3	36.7	49.9
50 per cent to 59 per cent	18.2	16.8	16.9	37.4	18.1
60 per cent to 69 per cent	17.3	18.8	20.5	16.2	17.8
70 per cent to 79 per cent	6.4	17.6	20.7	8.3	9.7
80 per cent to 89 per cent	1.9	8.8	11.3	0.9	3.9
90 per cent to 99 per cent	0.2	0.7	4.2	0.5	0.5
100 per cent and greater	0.1	0.4	4.1	–	0.3
Average portfolio loan to value	46.6	54.7	64.9	44.4	49.0
Loans to individuals – Mortgages ($million)	51,219	18,903	2,245	1,140	73,507

Loan Portfolio
Industry and Retail Products analysis

In the Corporate & Institutional Banking and Commercial Banking segments the Group's largest industry exposure is financing, insurance and non-banking, which constitutes 26 per cent of Corporate & Institutional Banking and Commercial Banking loans and advances to customers (2016: 27 per cent). Lending to financing, insurance and non-banking clients is mostly to investment grade institutions, is short dated and is part of the liquidity management of the Group.

The manufacturing sector makes up 14 per cent of Corporate & Institutional Banking and Commercial Banking loans and advances (2016: 13 per cent). The manufacturing industry group is spread across a diverse range of industries, including automobiles and components, capital goods, pharmaceuticals, biotech and life sciences, technology hardware and equipment, chemicals, paper products and packaging, with lending spread over 4,200 clients.

Loans and advances to the energy sector have reduced to $17.6 billion from $18.8 billion in 2016 and are spread across five subsectors and over 360 clients.

The Group provides loans to commercial real estate (CRE) counterparties of $12.5 billion (2016: $11.3 billion), which represents less than 5 per cent of total customer loans and advances. In total, $7.1 billion of this lending is to counterparties where the source of repayment is substantially derived from the rental or sale of real estate and is secured by real estate collateral. The remaining CRE loans comprise working capital loans to real estate corporates, loans with non-property collateral, unsecured loans and loans to real estate entities of diversified conglomerates.

In Retail Banking, the proportion of credit cards and personal loans (CCPL) and other unsecured lending as a percentage of the total retail products portfolio remained stable at 15 per cent in the first half of 2017.

Industry and Retail products analysis by region

	30.06.17				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:					
Energy	3,470	5,367	3,289	5,507	17,633
Manufacturing	10,567	6,242	3,532	1,820	22,161
Financing, insurance and non-banking	7,869	6,469	1,297	24,851	40,486
Transport, telecom and utilities	5,499	4,107	3,844	1,462	14,912
Food and household products	2,511	4,593	2,786	1,101	10,991
Commercial real estate	6,802	4,554	1,064	52	12,472
Mining and quarrying	2,408	3,221	1,499	1,066	8,194
Consumer durables	4,402	2,441	1,270	1,147	9,260
Construction	1,060	1,216	1,361	143	3,780
Trading companies & distributors	1,248	668	417	269	2,602
Government	4,077	4,072	1,670	677	10,496
Other	1,403	1,842	1,233	558	5,036
Retail Products:					
Mortgages	53,287	19,796	2,266	1,427	76,776
CCPL and other unsecured lending	9,382	4,064	2,940	189	16,575
Auto	–	346	279	–	625
Secured wealth products	4,568	6,666	220	1,249	12,703
Other	2,082	2,208	563	3	4,856
	120,635	77,872	29,530	41,521	269,558
Portfolio impairment provision	(177)	(227)	(128)	(128)	(660)
Total loans and advances to customers	120,458	77,645	29,402	41,393	268,898
Total loans and advances to banks	38,613	16,170	5,620	19,279	79,682

	31.12.16				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:					
Energy	2,781	5,334	4,076	6,586	18,777
Manufacturing	8,807	5,944	3,161	1,830	19,742
Financing, insurance and non-banking	7,959	5,007	1,451	26,816	41,233
Transport, telecom and utilities	5,562	4,570	3,659	1,708	15,499
Food and household products	1,932	4,624	2,408	1,088	10,052
Commercial real estate	5,580	4,555	1,122	27	11,284
Mining and quarrying	2,063	3,568	1,234	959	7,824
Consumer durables	4,356	2,321	1,432	1,261	9,370
Construction	1,027	1,313	1,392	84	3,816
Trading companies & distributors	938	535	657	259	2,389
Government	2,290	3,053	468	504	6,315
Other	1,437	1,644	1,015	530	4,626
Retail Products:					
Mortgages	51,219	18,903	2,245	1,140	73,507
CCPL and other unsecured lending	9,265	3,838	3,012	91	16,206
Auto	–	315	323	–	638
Secured wealth products	3,725	5,965	90	1,300	11,080
Other	1,790	1,908	522	5	4,225
	110,731	73,397	28,267	44,188	256,583
Portfolio impairment provision	(198)	(236)	(127)	(126)	(687)
Total loans and advances to customers	110,533	73,161	28,140	44,062	255,896
Total loans and advances to banks	32,239	14,739	7,552	20,139	74,669

Selected portfolios (unaudited)
This section provides an overview of the Group's commodity and commodity-related exposure.

The Group's net exposure to commodities was $36.8bn in the first half of 2017, a minor reduction of $1.1 billion (3 per cent) over the past 6 months (H2 2016: $37.9 billion). This exposure consists of producers ($18.2 billion) and traders ($18.6 billion). The Group continues to risk-mitigate parts of the portfolio to reduce the volatility of loan impairment.

The Group's net exposure to commodity-related sectors was $11 billion in the first half of 2017, an increase of $0.4 billion over the past six months (H2 2016: $10.6 billion) and this increase was mainly to investment grade clients. This exposure consists of refineries ($4.3 billion), oil and gas offshore support ($1.9 billion), oil and gas service providers ($2.9 billion) and oil and gas shipping ($1.9 billion).

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

As at 30 June 2017, cross-border exposure to all countries remain within the Board-approved risk appetite. In the first half of 2017, China remains the largest cross-border exposure at $39.7 billion (2016: $36.2 billion). The increase in exposure was driven by an increase in lending and trade finance activity in response to growth from renminbi internationalisation and the Belt and Road initiative, with some of this increase offset by a reduction of exposure from liquidity management and financial market activity. Cross-border exposure to China remains predominantly short-term (70 per cent of exposure had a tenor of less than 12 months).

Factors contributing to the increase in Hong Kong and Taiwan cross-border risk in the first half of 2017 included short-dated money market treasury and liquidity management activity. Global economic recovery, expansion of export volumes, and improved GDP growth, resulted in an increase in predominantly short-term exposure to Korea.

The overall size of cross-border exposure to India reflects the size of the Group's franchise in the country, and the facilitation of overseas investment and trade flows supported by parent companies in India. While overall short-term trade flows remain subdued, there has been a rise in medium-term exposure to support the capital investment cycle in the economy.

Cross-border exposure to developed countries in which the Group does not have a major presence predominantly relates to short-dated money market treasury and liquidity management activities, which can change significantly from period to period. Exposure also represents global corporate business for customers with interests in our footprint. This is a key driver of the significant cross-border exposure to the US, Japan and France.

The table below, which is based on the Group's internal country cross-border risk reporting requirements, shows the top 10 largest cross-border exposures by maturity profile.

	30.06.17			31.12.16		
	One year or less $million	**More than one year $million**	**Total $million**	One year or less $million	More than one year $million	Total $million
China	**27,888**	**11,857**	**39,745**	25,644	10,540	36,184
US	**18,941**	**13,565**	**32,506**	22,153	14,299	36,452
Hong Kong	**18,677**	**7,632**	**26,309**	18,119	7,531	25,650
Singapore	**17,540**	**4,057**	**21,597**	18,235	3,487	21,722
Korea	**11,329**	**6,568**	**17,897**	8,099	6,603	14,702
India	**6,285**	**10,330**	**16,615**	6,333	9,264	15,597
United Arab Emirates	**4,616**	**9,416**	**14,032**	5,653	9,145	14,798
Japan	**8,067**	**2,948**	**11,015**	8,349	2,749	11,098
Taiwan	**9,866**	**466**	**10,332**	5,714	371	6,085
France	**3,882**	**3,632**	**7,514**	3,217	3,786	7,003

Market risk

Market risk is the potential for loss of economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from these sources:

- Trading book: the Group provides clients access to financial markets, facilitation of which entails the Group taking moderate market risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk-related activities is primarily driven by the volume of client activity rather than risk-taking. From 1 August 2016 Credit and Funding Valuation Adjustment (XVA) risk was recognised in the total Trading and Non-trading VaR
- Non-trading book:
  - The Treasury Markets desk is required to hold a liquid assets buffer much of which is held in high-quality marketable debt securities
  - The Group has capital invested and related income streams denominated in currencies other than US dollars. To the extent that these are not hedged, the Group is subject to structural foreign exchange risk which is reflected in reserves

The primary categories of market risk for the Group are:

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options; including the risk arising from changes in the credit spread of derivatives' counterparties through CVA accounting
- Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options
- Commodity price risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture

Market risk changes

The average level of total trading and non-trading VaR in the first half of 2017 was lower than in the first half of 2016 by 18 per cent and lower than in the second half of 2016 by 16 per cent. The actual level of total trading and non-trading VaR at the end of the first half of 2017 was lower than at the end of the first half of 2016 by 18 per cent and lower than at the end of the second half of 2016 by 14 per cent. These declines in VaR were primarily due to reduced market volatility in the one year historical time series applied to VaR in the first half of 2017. In 2016, the volatility of the VaR historical time series included events such as the devaluation of Chinese renminbi in August 2015, uncertainty around the timing of anticipated US interest rate rises and the devaluation of the Nigerian naira in June 2016. By the end of June 2017 these events were no longer being reflected in VaR.

For the trading book, the average level of VaR in the first half of 2017 was higher than in the first half of 2016 by 33 per cent and higher than in the second half of 2016 by 8 per cent. This reflected increased VaR and positions in trading book interest rate risk. These increases reflected the full inclusion of XVA risk in the trading book interest rate risk VaR and trading book total VaR in the first half of 2017.

For the non-trading book, the average level of VaR in the first half of 2017 was lower than in the first half of 2016 by 31 per cent and lower than in the second half of 2016 by 22 per cent. In 2016 the market volatility reflected in the one-year historical time series applied to VaR included uncertainty about the timing of anticipated US interest rate rises. This volatility was no longer reflected in VaR by the end of June 2017. This volatility effect reduced the VaR for both interest rate risk and listed private equity non-trading books.

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

Trading and Non-trading	6 months ended 30.06.17				6 months ended 30.12.16				6 months ended 30.06.16			
	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Interest rate risk[3]	**23.0**	**28.5**	**19.7**	**23.4**	27.7	32.7	24.4	25.3	27.6	30.1	24.1	28.8
Foreign exchange risk	**5.5**	**11.0**	**3.2**	**4.7**	7.1	12.2	4.2	9.4	5.5	10.8	3.7	6.9
Commodity risk	**1.2**	**1.7**	**0.9**	**1.0**	1.5	2.0	1.0	1.4	2.4	3.1	1.6	1.7
Equity risk	**7.7**	**8.4**	**7.2**	**7.6**	7.8	12.3	6.9	8.1	12.1	13.1	11.1	11.5
Total[4]	**26.3**	**32.4**	**23.5**	**25.6**	31.3	36.9	26.8	29.9	32.0	38.8	26.4	31.1

Trading[5]	6 months ended 30.06.17				6 months ended 30.12.16				6 months ended 30.06.16			
	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Interest rate risk[3]	**10.5**	**12.9**	**8.8**	**9.9**	7.1	10.3	4.8	6.8	6.4	8.1	4.7	5.1
Foreign exchange risk	**5.5**	**11.0**	**3.2**	**4.7**	7.1	12.2	4.2	9.4	5.5	10.8	3.7	6.9
Commodity risk	**1.2**	**1.7**	**0.9**	**1.0**	1.5	2.0	1.0	1.4	2.4	3.1	1.6	1.7
Equity risk	**0.1**	**0.2**	**0.1**	**0.2**	0.2	0.8	0.1	0.1	0.6	1.3	0.3	0.4
Total[4]	**12.6**	**15.7**	**9.8**	**11.7**	11.7	18.7	8.2	11.6	9.5	12.9	7.5	10.3

Non-trading	6 months ended 30.06.17				6 months ended 30.12.16				6 months ended 30.06.16			
	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Interest rate risk[3]	**19.7**	**22.8**	**17.7**	**21.9**	25.3	31.4	21.5	22.8	27.2	29.8	24.9	25.5
Equity risk	**7.6**	**8.1**	**7.2**	**7.5**	7.8	12.3	6.9	8.1	11.8	12.5	11.1	11.3
Total[4]	**22.4**	**27.6**	**19.6**	**21.6**	28.8	31.9	24.6	27.3	32.5	35.1	29.2	32.3

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

2 Actual one day VaR at period end date

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

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

5 Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS39 'Financial Instruments: Recognition and Measurement'

Risks not in VaR (unaudited)

In the first half of 2017, the main market risk not reflected in VaR was the currency risk where the exchange rate is currently pegged or managed. The VaR historical one-year observation period does not reflect the future possibility of a change in the currency regime such as sudden depegging. The other material market risk not reflected in VaR was associated with off-the-run bonds. Newly issued bonds are actively traded (on-the-run). Off-the-run bonds are no longer so actively traded which means that historical market price data for VaR is sometimes more limited. Additional capital is set aside to cover such 'risks not in VaR'. For further details on market risk capital see the Standard Chartered PLC Pillar 3 Disclosures for 31 December 2016 and 30 June 2017 sections on market risk.

Backtesting (unaudited)

Regulatory backtesting is applied at both Group and Solo levels. In the year to 30 June 2017, there have been no negative exceptions. (In the previous year to 30 June 2016 there were three exceptions at Group level and three exceptions at Solo level).

Up to four exceptions in a year due to market events are within the 'green zone' applied internationally to internal models by bank supervisors *(Basel Committee on Banking Supervision: 'Supervisory framework for the use of "backtesting" in conjunction with the internal models approach to market risk capital requirements', January 1996).*

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

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Trading			
Interest rate risk	**4.0**	4.7	4.3
Foreign exchange risk	**3.7**	4.1	5.1
Commodity risk	**0.6**	0.8	0.6
Equity risk	**–**	0.1	(0.1)
Total	**8.3**	9.7	9.9
Non-Trading			
Interest rate risk	**3.1**	1.3	2.3
Equity risk	**–**	0.5	(0.9)
Total	**3.1**	1.8	1.4

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

Liquidity and funding risk

Liquidity and funding risk is the potential that the Group does not have sufficient financial resources, or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

The Group's liquidity and funding risk framework requires each country to ensure that it operates within predefined liquidity limits and remain in compliance with Group liquidity policies and practices, as well as local regulatory requirements.

Since the beginning of the year, there were no significant changes in treasury policies as disclosed in the 2016 Annual Report.

Liquidity metrics

Liquidity Coverage Ratio (LCR) (unaudited)

The Liquidity Coverage Ratio (LCR) is a regulatory requirement set to ensure that the Group has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario.

The Group monitors and reports its liquidity position under European Commission Delegated Regulation 2015/61 and has maintained its liquidity position above the prudential requirement.

At the reporting date, the Group LCR was comfortably above 100 per cent with a prudent surplus to both Board-approved risk appetite and regulatory requirements. We also held adequate liquidity across our footprint to meet all local prudential LCR requirements, where applicable.

Net stable funding ratio (NSFR) (unaudited)

On 23 November 2016, the European Commission, as part of a package of risk-reducing measures, proposed a binding requirement for stable funding (Net Stable Funding Ratio (NSFR)) at European Union level. The proposal aims to implement the European Banking Authority's interpretation of the Basel standard on NSFR (BCBS295).

Pending implementation of the final rules, the Group continues to monitor NSFR in line with the BCBS' final recommendation (BCBS295).

At the last reporting date, the Group NSFR remained above 100 per cent.

Advances-to-deposits ratio (ADR)

This is defined as the ratio of total loans and advances to customers relative to total customer accounts. An advances-to-deposits ratio of below 100 per cent demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers.

The advances-to-deposits ratio remained broadly flat at 67.5 per cent over the first half of 2017.

Loans and advances to customers have increased 5 per cent since the end of 2016 to $269 billion. This growth was largely due to higher Corporate Finance balances and increased Retail Mortgage lending in Singapore, Hong Kong and Korea, benefiting in part from favourable foreign exchange movement. This increase was partially offset by a reduction in lending.

Customer accounts have also increased 5 per cent from the end of 2016 to $398 billion as the Group focused on high quality liquidity across its businesses with an emphasis on Retail Banking and other deposits with high liquidity and regulatory value. Time deposits increased significantly over the period along with growth in Retail current and savings account balances, seen across all regions.

	30.06.17 $million	31.12.16 $million
Loans and advances to customers[1]	**268,898**	255,896
Customer accounts	**398,338**	378,302
Advances to deposits ratio	**67.5%**	67.6%

1 Includes assets held at fair value through profit or loss

Stressed coverage (unaudited)

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all presence countries and currencies, such that it can withstand a severe but plausible liquidity stress.

The Group's internal liquidity stress testing framework covers Standard Chartered-specific, market-wide and combined stress scenarios. All scenarios include, but are not limited to, modelled outflows for retail and wholesale funding, off-balance sheet funding risk, cross currency funding risk, intraday risk, franchise risk and risks associated with a deterioration of a firm's credit rating.

Stress testing results show that a positive surplus was maintained under all scenarios at 30 June 2017 i.e. respective countries are able to survive for a period of time as defined under each scenario. The results take into account currency convertibility and portability constraints across all major presence countries.

Liquidity pool (unaudited)

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $149 billion. The figures in the below table account for haircuts, currency convertibility and portability constraints, therefore are not directly comparable with the consolidated balance sheet. The pool is held to offset stress outflows as defined in European Commission Delegated Regulation 2015/61.

The pool increased $12.4 billion in the first half of 2017, in part due to an increase in cash and central bank balances reflecting higher surplus liquidity held primarily in Europe & Americas as we repositioned liquidity in some markets. LCR eligible securities increased in ASEAN & South Asia driven by a run off of commercial assets and increased customer accounts.

	30.06.17				
	Greater China & North Asia $million	**ASEAN & South Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Total $million**
Level 1 securities and cash					
Cash and central bank reserves	**12,259**	**2,802**	**1,755**	**52,539**	**69,355**
Central banks/governments/PSEs	**26,759**	**14,569**	**2,095**	**16,342**	**59,765**
Multilateral development banks and international organisations	**1,198**	**699**	**301**	**8,799**	**10,997**
Other	**–**	**56**	**–**	**575**	**631**
Total level 1 assets	**40,216**	**18,126**	**4,151**	**78,255**	**140,748**
Level 2 A securities	**3,191**	**1,001**	**115**	**2,281**	**6,588**
Level 2 B securities	**–**	**135**	**48**	**1,159**	**1,342**
Total LCR eligible assets	**43,407**	**19,262**	**4,314**	**81,695**	**148,678**

	31.12.16				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities and cash					
Cash and central bank reserves	14,206	2,878	1,452	45,054	63,590
Central banks/governments/PSEs	28,304	10,430	1,709	16,271	56,714
Multilateral development banks and international organisations	178	1,362	169	9,178	10,887
Other	–	–	–	200	200
Total level 1 assets	42,688	14,670	3,330	70,703	131,391
Level 2 A securities	–	1,848	152	1,597	3,597
Level 2 B securities	–	59	–	1,244	1,303
Total LCR eligible assets	42,688	16,577	3,482	73,544	136,291

Encumbrance (unaudited)

Encumbered assets
Encumbered assets represent on-balance sheet assets pledged or subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. Cash collateral pledged against derivatives and Hong Kong government certificates of indebtedness, which secure the equivalent amount of Hong Kong currency notes in circulation, are included within other assets.

Unencumbered – readily available for encumbrance
Unencumbered assets that are considered by the Group to be readily available in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements, and are not subject to any restrictions on their use for these purposes.

Unencumbered – other assets capable of being encumbered
Unencumbered assets that, in their current form, are not considered by the Group to be readily realisable in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements, and are not subject to any restrictions on their use for these purposes.

Unencumbered – cannot be encumbered
Unencumbered assets that cannot be used to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements. Included within this category are loans and advances that would be suitable for use in secured funding structures but are conservatively classified given substantial additional action would be required in order to make the assets transferable and readily realisable.

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

	30.06.17								
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
					Assets positioned at the central bank (i.e. pre-positioned plus encumbered)	Assets not positioned at the central bank			
	Assets $million	As a result of securitisations $million	Other $million	Total $million	$million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	76,922	–	–	–	9,053	67,869	–	–	76,922
Derivative financial instruments	47,842	–	–	–	–	–	–	47,842	47,842
Loans and advances to banks[1]	79,682	–	–	–	–	35,069	–	44,613	79,682
Loans and advances to customers[1]	268,898	14	–	14	–	–	–	268,884	268,884
Investment securities[1]	129,437	–	5,602	5,602	1	82,828	29,140	11,866	123,835
Other assets	34,510	–	16,483	16,483	–	–	–	18,027	18,027
Current tax assets	455	–	–	–	–	–	–	455	455
Prepayments and accrued income	2,274	–	–	–	–	–	–	2,274	2,274
Interests in associates and joint ventures	2,155	–	–	–	–	–	–	2,155	2,155
Goodwill and intangible assets	5,034	–	–	–	–	–	–	5,034	5,034
Property, plant and equipment	7,616	–	–	–	–	–	–	7,616	7,616
Deferred tax assets	1,427	–	–	–	–	–	–	1,427	1,427
Assets classified as held for sale	1,386	–	–	–	–	–	–	1,386	1,386
Total	657,638	14	22,085	22,099	9,054	185,766	29,140	411,579	635,539

1 Includes assets held at fair value through profit or loss

	31.12.16								
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
						Assets not positioned at the central bank			
	Assets $million	As a result of securitis-ations $million	Other $million	Total $million	Assets positioned at the central bank (i.e. pre-positioned plus encumbered) $million	Readily available for encum-brance $million	Other assets that are capable of being encumbered $million	Cannot be encum-bered $million	Total $million
Cash and balances at central banks	70,706	–	–	–	8,648	62,058	–	–	70,706
Derivative financial instruments	65,509	–	–	–	–	–	–	65,509	65,509
Loans and advances to banks[1]	74,669	–	–	–	–	32,231	–	42,438	74,669
Loans and advances to customers[1]	255,896	21	–	21	–	–	–	255,875	255,875
Investment securities[1]	123,812	–	5,868	5,868	35	78,536	27,909	11,464	117,944
Other assets	36,940	–	19,674	19,674	–	–	–	17,266	17,266
Current tax assets	474	–	–	–	–	–	–	474	474
Prepayments and accrued income	2,238	–	–	–	–	–	–	2,238	2,238
Interests in associates and joint ventures	1,929	–	–	–	–	–	–	1,929	1,929
Goodwill and intangible assets	4,719	–	–	–	–	–	–	4,719	4,719
Property, plant and equipment	7,252	–	–	–	–	–	–	7,252	7,252
Deferred tax assets	1,294	–	–	–	–	–	–	1,294	1,294
Assets classified as held for sale	1,254	–	–	–	–	–	–	1,254	1,254
Total	646,692	21	25,542	25,563	8,683	172,825	27,909	411,712	621,129

1 Includes assets held at fair value through profit or loss

In addition to the above, at the reporting date the Group received $56.2 billion (2016: $54.5 billion) as collateral under reverse repurchase agreements that was eligible for repledging; of this the Group sold or repledged $36 billion (2016: $33.1 billion) under repurchase agreements.

Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cash flow.

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are available-for-sale are used by the Group principally for liquidity management purposes.

At the reporting date, assets remain predominantly short-dated, with 61 per cent maturing in under one year. Our less-than-three -month cumulative net funding gap increased from the previous period, in part due to an increase in customer accounts as the Group focused on improving the quality of its deposit base. In practice these deposits are recognised as stable and have behavioural profiles that extend beyond their contractual maturities.

Contractual maturity

	30.06.17								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	67,869	–	–	–	–	–	–	9,053	76,922
Derivative financial instruments	4,836	7,045	5,223	5,028	3,275	5,754	7,828	8,853	47,842
Loans and advances to banks[1]	35,069	22,802	10,716	3,676	3,902	1,250	1,555	712	79,682
Loans and advances to customers[1]	75,448	29,200	16,476	8,260	10,100	17,603	36,115	75,696	268,898
Investment securities	10,202	16,410	10,896	12,380	11,515	18,439	34,964	14,631	129,437
Other assets	22,105	5,325	3,168	46	650	130	94	23,339	54,857
Total assets	215,529	80,782	46,479	29,390	29,442	43,176	80,556	132,284	657,638
Liabilities									
Deposits by banks[1]	31,945	3,425	1,722	771	589	71	289	461	39,273
Customer accounts[1]	302,206	46,700	24,234	10,222	7,953	2,825	1,964	2,234	398,338
Derivative financial instruments	6,914	6,880	6,338	4,203	3,289	6,025	8,431	7,272	49,352
Senior debt	–	767	1,139	209	4,237	2,966	6,647	3,269	19,234
Other debt securities in issue[1]	5,725	11,099	7,357	1,810	1,437	626	743	5,059	33,856
Other liabilities	19,611	5,246	4,924	924	520	700	992	13,380	46,297
Subordinated liabilities and other borrowed funds	69	1,801	–	82	1,355	–	2,829	13,790	19,926
Total liabilities	366,470	75,918	45,714	18,221	19,380	13,213	21,895	45,465	606,276
Net liquidity gap	(150,941)	4,864	765	11,169	10,062	29,963	58,661	86,819	51,362

1 Includes assets held at fair value through profit or loss

	31.12.16								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	62,058	–	–	–	–	–	–	8,648	70,706
Derivative financial instruments	7,749	10,562	8,263	5,317	4,580	8,472	10,798	9,768	65,509
Loans and advances to banks[1]	32,231	23,388	10,667	3,041	2,540	1,240	1,404	158	74,669
Loans and advances to customers[1]	71,483	27,977	17,948	7,917	7,839	18,365	32,615	71,752	255,896
Investment securities[1]	8,600	16,894	11,796	10,496	11,764	19,272	32,626	12,364	123,812
Other assets	23,357	5,379	2,857	195	1,007	60	113	23,132	56,100
Total assets	205,478	84,200	51,531	26,966	27,730	47,409	77,556	125,822	646,692
Liabilities									
Deposits by banks[1]	31,340	2,912	1,115	665	573	629	146	232	37,612
Customer accounts[1]	280,329	46,060	25,258	11,135	8,942	2,577	2,119	1,882	378,302
Derivative financial instruments	8,709	9,911	7,661	6,058	4,797	8,969	11,275	8,332	65,712
Senior debt	96	173	1,212	1,500	981	3,347	8,849	3,433	19,591
Other debt securities in issue[1]	5,916	11,188	6,883	2,687	447	860	748	4,050	32,779
Other liabilities	19,262	6,163	5,003	687	604	1,368	847	10,581	44,515
Subordinated liabilities and other borrowed funds	22	31	–	1,710	–	978	785	15,997	19,523
Total liabilities	345,674	76,438	47,132	24,442	16,344	18,728	24,769	44,507	598,034
Net liquidity gap	(140,196)	7,762	4,399	2,524	11,386	28,681	52,787	81,315	48,658

1 Includes assets held at fair value through profit or loss

Operational risk (including, among others, financial crime, regulatory compliance and cyber risk) (unaudited)

The Group defines operational risk as the potential for loss from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. The management of operational risk is a challenge due to its broad scope as operational risks arise from all activities carried out within the Group. To address this challenge we map risks across the Group at a process level with controls installed to mitigate these risks. The Group benchmarks practices against regulatory requirements.

Operational risk profile

The operational risk profile is the Group's overall exposure to operational risk covering all applicable operational risk sub-types. The operational risk profile comprises both operational risk events and losses that have already occurred, and the current exposures to operational risks which, at an aggregate level, include the consideration of top risks.

Operational losses for the Group in the half year ended 30 June comprised a number of unrelated non-systemic events.

Capital review

The Capital review provides an analysis of the Group's capital position and requirements.

The following parts of the Capital review form part of the interim financial statements: the start of Capital Requirements Directive (CRD) IV capital base to the end of Movement in total capital, excluding capital ratios and risk-weighted assets (RWA).

Capital summary

The Group's capital and leverage position is managed within the Board-approved risk appetite. The Group is strongly capitalised with low leverage and high levels of loss-absorbing capacity.

Capital, UK leverage and RWA	30.06.17	31.12.16
CET1 capital %	**13.8**	13.6
Tier 1 capital %	**16.2**	15.7
Total capital %	**21.3**	21.3
UK leverage ratio %	**6.0**	6.0
RWA ($million)	**274,163**	269,445

The Group's CET1 position was ahead of both the current requirement of 8 per cent and the expected end-state requirement for 2019 of 9.9 per cent, which includes the Pillar 1 and 2A minimum requirements and CRD IV capital buffers that are known at this time.

The Group's current Pillar 2A requirement is 2.8 per cent of RWA of which at least 1.6 per cent must be held in CET1. This requirement is expected to vary over time.

Pillar 1 and Pillar 2A CET1 requirements and the combined buffer requirement together represent the Group's Maximum Distributable Amount threshold. The Group will be subject to restrictions on discretionary distributions if the CET1 ratio goes below this threshold. The Group expects to continue to operate with a prudent management buffer above this threshold.

The Group has been proactive in managing its capital and loss-absorbing capacity position. In January 2017, the Group issued $1 billion of Additional Tier 1 (AT1) capital and currently has 2.4 per cent of RWA in AT1.

The Bank of England (BoE) confirmed the Group's non-binding, indicative minimum requirement for own funds and eligible liabilities (MREL) at 16 per cent of RWA in 2019 rising to 18.8 per cent of RWA in 2020 and 21.6 per cent of RWA from 1 January 2022. The Group's combined buffer (comprising the capital conservation, G-SII and countercyclical buffers) sits above any MREL requirement, resulting in a total loss-absorbing capacity requirement of 25.4 per cent of RWA from 1 January 2022 based on the Group's CRD IV capital buffers that are known at this time. On the Group's current understanding of the rules, its MREL position was around 26 per cent of RWA and around 10 per cent of leverage exposure at 30 June 2017.

The Group has low leverage with a UK leverage ratio of 6 per cent, which is above the current minimum requirement of 3.2 per cent.

Regulatory update

The European Commission is proposing amendments to the Capital Requirements Regulation, CRD IV, the Bank Recovery and Resolution Directive and the Single Resolution Mechanism Regulation. Any proposed reforms remain subject to change and until the proposals are in final form it is uncertain how they will affect the Group.

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

The BCBS are currently considering constraints on the use of IRB models (CD362), revisions to the standardised approach for credit risk (CD347) and the design of a capital floor framework (CD306) based on standardised approaches for credit, market and operational risk. These potential constraints could result in an increase in the RWA calculated on a modelled approach. The eventual impact will depend on the final outcome of the consultation process and the calibration of the capital floor. Regulators have expressed the expectation that the changes would not materially add to system-wide capital requirements.

The Group continues to assess the impact that adoption of IFRS 9 will have on its consolidated financial statements and any consequential effects on regulatory capital. The Group will quantify the impact of IFRS 9 when it has robust and reliable estimates, which will be no later than the publication of its 2017 Annual Report. Note 26 of the financial statements provides an update in relation to IFRS 9.

Capital ratios

	30.06.17	31.12.16
CET1	**13.8%**	13.6%
Tier 1 capital	**16.2%**	15.7%
Total capital	**21.3%**	21.3%

CRD IV Capital base

	30.06.17 $million	31.12.16 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	**5,601**	5,597
Of which: share premium accounts	**3,957**	3,957
Retained earnings[1]	**25,463**	26,000
Accumulated other comprehensive income (and other reserves)	**12,229**	11,524
Non-controlling interests (amount allowed in consolidated CET1)	**833**	809
Independently reviewed interim profits and year-end losses	**1,190**	(247)
Foreseeable dividends net of scrip	**(509)**	(212)
CET1 capital before regulatory adjustments	**44,807**	43,471
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(557)**	(660)
Intangible assets (net of related tax liability)	**(5,103)**	(4,856)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(224)**	(197)
Fair value reserves related to net losses on cash flow hedges	**57**	85
Deduction of amounts resulting from the calculation of excess expected loss	**(1,044)**	(740)
Gains or losses on liabilities at fair value resulting from changes in own credit	**7**	(289)
Defined-benefit pension fund assets	**(11)**	(18)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	**1**	(20)
Exposure amounts which could qualify for risk weighting of 1,250%	**(152)**	(168)
Total regulatory adjustments to CET1	**(7,026)**	(6,863)
CET1 capital	**37,781**	36,608
Additional Tier 1 capital (AT1) instruments	**6,708**	5,704
AT1 regulatory adjustments	**(20)**	(20)
Tier 1 capital	**44,469**	42,292
Tier 2 capital instruments	**13,896**	15,176
Tier 2 regulatory adjustments	**(30)**	(30)
Tier 2 capital	**13,866**	15,146
Total capital	**58,335**	57,438
Total risk-weighted assets (unaudited)	**274,163**	269,445

1 Retained earnings include the effect of regulatory consolidation adjustments

Movement in total capital

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million
CET1 at 1 January/1 July	**36,608**	38,348
Ordinary shares issued in the period and share premium	**4**	1
Profits/(loss) for the period	**1,190**	(756)
Foreseeable dividends net of scrip deducted from CET1	**(509)**	(212)
Difference between dividends paid and foreseeable dividends	**(18)**	125
Movement in goodwill and other intangible assets	**(247)**	129
Foreign currency translation differences	**780**	(835)
Non-controlling interests	**24**	286
Movement in eligible other comprehensive income	**146**	(167)
Deferred tax assets/(liabilities) that rely on future profitability	**(27)**	64
(Increase) in excess expected loss	**(304)**	(584)
Additional value adjustments (prudential valuation adjustment)	**103**	174
Other	**31**	35
CET1 at 30 June/31 December	**37,781**	36,608
AT1 at 1 January/1 July	**5,684**	3,720
Issuances net of redemptions	**992**	1,982
Foreign currency translation difference	**12**	(18)
Other	**–**	–
AT1 at 30 June/31 December	**6,688**	5,684
Tier 2 capital at 1 January/1 July	**15,146**	15,098
Regulatory amortisation	**(563)**	(198)
Issuances net of redemptions	**(1,250)**	447
Foreign currency translation difference	**489**	(451)
Tier 2 ineligible minority interest	**78**	292
Other	**(34)**	(42)
Tier 2 capital at 30 June/31 December	**13,866**	15,146
Total capital at 30 June/31 December	**58,335**	57,438

Movements in capital

The main movements in capital in the period were:

- The CET1 ratio increased to 13.8 per cent due to an increase in CET1 capital of $1.2 billion, offsetting a $4.7 billion increase in RWA
- CET1 capital increased by $1.2 billion as profits and favourable foreign currency translation differences were offset in part by regulatory deductions
- AT1 capital increased to $6.7 billion due to the issuance of $1 billion of AT1 securities. AT1 capital currently accounts for 2.4 per cent of RWA
- Tier 2 capital decreased by $1.3 billion to $13.9 billion due to redemptions of $1.25 billion and regulatory amortisation offset in part by foreign currency translation differences

The total capital ratio remained at 21.3 per cent due to the combination of the factors detailed above

The issuance of AT1 capital and the redemption of Tier 2 capital are part of ongoing actions to optimise our capital and MREL stock.

Risk-weighted assets by business

	30.06.17			
	Credit Risk $million	**Operational Risk $million**	**Market Risk $million**	**Total Risk $million**
Corporate & Institutional Banking	**107,993**	**14,740**	**20,627**	**143,360**
Retail Banking	**35,174**	**7,761**	**–**	**42,935**
Commercial Banking	**28,969**	**3,356**	**–**	**32,325**
Private Banking	**5,079**	**809**	**–**	**5,888**
Central & other items	**43,506**	**3,812**	**2,337**	**49,655**
Total risk-weighted assets	**220,721**	**30,478**	**22,964**	**274,163**

	31.12.16			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total Risk $million
Corporate & Institutional Banking	106,834	16,703	19,228	142,765
Retail Banking	33,210	8,953	–	42,163
Commercial Banking	27,553	4,385	–	31,938
Private Banking	5,129	959	–	6,088
Central & other items	41,149	2,693	2,649	46,491
Total risk-weighted assets	213,875	33,693	21,877	269,445

Risk-weighted assets by region

	30.06.17 $million	31.12.16 $million
Greater China & North Asia	**80,320**	76,665
ASEAN & South Asia	**96,703**	96,673
Africa & Middle East	**56,604**	52,849
Europe & Americas	**40,365**	43,487
Central & other items	**171**	(229)
Total risk-weighted assets	**274,163**	269,445

Movement in risk-weighted assets

	Credit risk								
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million	Operational risk $million	Market risk $million	Total risk $million
At 1 January 2016	127,528	38,007	30,825	6,302	42,740	245,402	35,610	21,913	302,925
Assets (decline)/growth	(765)	(1,135)	(1,660)	(1,131)	574	(4,117)	–	–	(4,117)
Credit migration	1,604	207	573	–	(123)	2,261	–	–	2,261
Risk-weighted assets efficiencies	(1,540)	–	–	250	–	(1,290)	–	–	(1,290)
Model, methodology and policy changes	(1,377)	(2,221)	432	–	(1,316)	(4,482)	–	5,700	1,218
Foreign currency translation	(97)	436	(13)	28	212	566	–	–	566
Other non-credit risk movements	–	–	–	–	–	–	(1,917)	(6,420)	(8,337)
At 30 June 2016	125,353	35,294	30,157	5,449	42,087	238,340	33,693	21,193	293,226
Assets (decline)/growth	(15,095)	(86)	(1,561)	11	(81)	(16,812)	–	–	(16,812)
Credit migration	(1,448)	(91)	(634)	–	(56)	(2,229)	–	–	(2,229)
Risk-weighted assets efficiencies	(1,182)	–	–	(250)	–	(1,432)	–	–	(1,432)
Model, methodology and policy changes	460	(487)	5	–	–	(22)	–	(200)	(222)
Net acquisitions and disposals	–	(471)	–	–	–	(471)	–	–	(471)
Foreign currency translation	(1,254)	(949)	(414)	(81)	(801)	(3,499)	–	–	(3,499)
Other non-credit risk movements	–	–	–	–	–	–	–	884	884
At 31 December 2016	**106,834**	**33,210**	**27,553**	**5,129**	**41,149**	**213,875**	**33,693**	**21,877**	**269,445**
Assets growth/(decline)	**(78)**	**1,053**	**1,228**	**(123)**	**1,819**	**3,899**	**–**	**–**	**3,899**
Credit migration	**1,630**	**(48)**	**(205)**	**–**	**157**	**1,534**	**–**	**–**	**1,534**
Risk-weighted assets efficiencies	**(1,661)**	**–**	**–**	**–**	**–**	**(1,661)**	**–**	**–**	**(1,661)**
Model, methodology and policy changes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**80**	**80**
Foreign currency translation	**1,268**	**959**	**393**	**73**	**381**	**3,074**	**–**	**–**	**3,074**
Other non-credit risk movements	**–**	**–**	**–**	**–**	**–**	**–**	**(3,215)**	**1,007**	**(2,208)**
At 30 June 2017	**107,993**	**35,174**	**28,969**	**5,079**	**43,506**	**220,721**	**30,478**	**22,964**	**274,163**

Movements in risk-weighted assets
RWA increased by $4.7 billion, or 2 per cent from 31 December 2016 to $274.2 billion. This was mainly due to a $6.8 billion increase in credit risk RWA and a $1.1 billion increase in market risk partly offset by a $3.2 billion decrease in operational risk RWA.

Corporate & Institutional Banking
Credit risk RWA increased by $1.2 billion to $108 billion mainly due to:

- Growth of $1 billion from new business in Corporate Finance and Transaction Banking offset by a reduction in Financial Markets mark to market assets
- $1.6 billion increase due to credit migration in Africa & Middle East
- $1.3 billion increase from foreign currency translation due to appreciation of currencies in Europe, India, China and Singapore
- $1.7 billion reduction from efficiencies in Financial Markets through optimisation and process enhancements, including CVA RWA saves

Retail Banking
Credit risk RWA increased by $2 billion to $35.2 billion, mainly due to:

- $1 billion increase as a result of Mortgage growth in Hong Kong and Korea
- $1 billion increase from foreign currency translation due to appreciation of currencies in Korea, Singapore and India

Commercial Banking
Credit risk RWA increased by $1.4 billion to $29 billion mainly due to:

- $1.2 billion increase from new business, with growth in Transaction Banking and Consumer Finance
- $0.4 billion increase from foreign currency translation due to appreciation of currencies in India, Korea, Europe and Malaysia

Private Banking
Credit risk RWA is broadly flat at $5.1 billion compared to 31 December 2016. Changes in asset balances have been partly offset by the increase from foreign currency translation due to the appreciation of currencies in Europe and Singapore.

Central & other items

Credit risk RWA increased by $2.4 billion to $43.5 billion due to:

- An increase of $1.8 billion in credit RWA mainly due to Treasury activities and an increase in holdings of debt securities, partly offset by lower RWA balances for investments in Associates
- $0.4 billion increase from foreign currency translation due to appreciation of currencies in India, Japan and Korea

Market risk

Total market risk RWA increased by $1.1 billion, or 5 per cent from 31 December to $23 billion. This was mainly due to increases in trading book debt security holdings partly offset by lower market volatility. Methodology and policy changes contributed RWA of $80 million.

Operational risk

Operational risk RWA reduced by $3.2 billion to $30.5 billion, due to a decrease in the average income over a rolling three-year time horizon, as lower 2016 income replaced higher 2013 income. This represents a 9.5 per cent year-on-year reduction in operational risk RWA.

UK leverage ratio

The Group's UK leverage ratio, which excludes qualifying claims on central banks in accordance with a PRA waiver, was 6.0 per cent, which is above the current minimum requirement of 3.2 per cent.

The UK leverage ratio in the period remained flat mainly due to an increase in Tier 1 capital (end point) offset by an increase in the UK leverage exposure measure.

UK leverage ratio (unaudited)

	30.06.17 $million	31.12.16 $million
Tier 1 capital (transitional)	44,469	42,292
Additional Tier 1 capital subject to phase out	(1,747)	(1,735)
Tier 1 capital (end point)	42,722	40,557
Derivative financial instruments	47,842	65,509
Derivative cash collateral	11,222	14,230
Securities financing transactions (SFTs)	47,048	44,916
Loans and advances and other assets	551,526	522,037
Total on-balance sheet assets	657,638	646,692
Regulatory consolidation adjustments[1]	(28,504)	(31,491)
Derivatives adjustments		
Derivatives netting	(30,525)	(38,737)
Adjustments to cash collateral	(17,851)	(23,449)
Net written credit protection	1,154	7,311
Potential future exposure on derivatives	32,270	49,607
Total derivatives adjustments	(14,952)	(5,268)
Counterparty risk leverage exposure measure for SFTs	8,949	10,412
Off-balance sheet items	94,341	60,535
Regulatory deductions from Tier 1 capital	(7,038)	(6,553)
UK leverage exposure (end point)	710,434	674,327
UK leverage ratio (end point)	6.0%	6.0%
UK leverage exposure quarterly average	705,547	N/A
UK leverage ratio quarterly average	6.1%	N/A
Countercyclical leverage ratio buffer	0.1%	-
G-SII additional leverage ratio buffer	0.2%	0.1%

1 Includes adjustment for qualifying central bank claims

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- The interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

By order of the Board

Andy Halford
Group Chief Financial Officer

2 August 2017

Independent review report

to Standard Chartered PLC

Conclusion
We have been engaged by Standard Chartered PLC including its subsidiaries (the Group) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated interim balance sheet, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility
Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Group in accordance with the terms of our engagement to assist the Group in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group for our review work, for this report, or for the conclusions we have reached.

Michelle Hinchliffe
for and on behalf of KPMG LLP
Chartered Accountants

15 Canada Square,
London E14 5GL

2 August 2017

Condensed consolidated interim income statement

For the six months ended 30 June 2017

	Notes	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Interest income		**6,785**	6,441	6,569
Interest expense		**(2,819)**	(2,639)	(2,577)
Net interest income		**3,966**	3,802	3,992
Fees and commission income		**1,981**	1,882	1,789
Fees and commission expense		**(248)**	(229)	(211)
Net fee and commission income	**3**	**1,733**	1,653	1,578
Net trading income	**4**	**973**	1,084	802[1]
Other operating income	**5**	**549**	516	633
Operating income		**7,221**	7,055	7,005
Staff costs		**(3,263)**	(3,365)	(2,938)
Premises costs		**(386)**	(407)	(390)
General administrative expenses		**(836)**	(1,504)	(868)
Depreciation and amortisation		**(385)**	(391)	(348)
Operating expenses	**6**	**(4,870)**	(5,667)	(4,544)
Operating profit before impairment losses and taxation		**2,351**	1,388	2,461
Impairment losses on loans and advances and other credit risk provisions	**7**	**(655)**	(1,495)	(1,296)
Other impairment	**8**			
Goodwill		**–**	(166)	–
Other		**(93)**	(217)	(229)
Profit/(loss) from associates and joint ventures		**151**	(64)	27
Profit/(loss) before taxation		**1,754**	(554)	963
Taxation	**9**	**(548)**	(262)	(338)[1]
Profit/(loss) for the period		**1,206**	(816)	625
Profit/(loss) attributable to:				
Non-controlling interests		**10**	11	45
Parent company shareholders		**1,196**	(827)	580
Profit/(loss) for the period		**1,206**	(816)	625
		cents	cents	cents
Earnings per share:	**11**			
Basic earnings/(loss) per ordinary share		**29.5**	(28.7)	14.1[1]
Diluted earnings/(loss) per ordinary share		**29.2**	(28.7)	14.1[1]

There has been no dividend declared during the current and comparative reporting periods on ordinary shares.

1 The Group has early adopted IFRS 9 Financial Instruments to present own credit adjustments within other comprehensive income, refer to note 1

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2017

	Notes	**6 months ended 30.06.17 $million**	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Profit/(loss) for the period		**1,206**	(816)	625[1]
Other comprehensive income/(loss)				
Items that will not be reclassified to Income statement:		**(341)**	(289)	(156)
Own credit losses on financial liabilities designated at fair value through profit or loss		**(310)**	(302)	(70)[1]
Actuarial losses on retirement benefit obligations	21	**(29)**	(5)	(100)
Taxation relating to components of other comprehensive income		**(2)**	18	14
Items that may be reclassified subsequently to Income statement:		**1,003**	(930)	(38)
Exchange differences on translation of foreign operations:				
Net gains/(losses) taken to equity		**892**	(896)	79
Net (losses)/gains on net investment hedges		**(111)**	58	(28)
Share of other comprehensive loss from associates and joint ventures		**(15)**	(6)	(5)
Available-for-sale investments:				
Net valuation gains taken to equity		**315**	–	48
Reclassified to income statement		**(102)**	(25)	(163)
Cash flow hedges:				
Net gains/(losses) taken to equity		**32**	(123)	44
Reclassified to income statement		**–**	42	15
Taxation relating to components of other comprehensive income		**(8)**	20	(28)
Other comprehensive income/(loss) for the period, net of taxation		**662**	(1,219)	(194)
Total comprehensive profit/(loss) for the period		**1,868**	(2,035)	431
Total comprehensive income/(loss) attributable to:				
Non-controlling interests		**13**	5	40
Parent company shareholders		**1,855**	(2,040)	391
		1,868	(2,035)	431

1 The Group has early adopted IFRS 9 Financial Instruments to present own credit adjustments within other comprehensive income, refer to note 1

Condensed consolidated interim balance sheet

As at 30 June 2017

	Notes	**30.06.17 $million**	31.12.16 $million
Assets			
Cash and balances at central banks	12	**76,922**	70,706
Financial assets held at fair value through profit or loss	12	**25,693**	20,077
Derivative financial instruments	12, 13	**47,842**	65,509
Loans and advances to banks	12	**76,806**	72,609
Loans and advances to customers	12	**265,539**	252,719
Investment securities	12	**109,979**	108,972
Other assets	12, 15	**34,510**	36,940
Current tax assets		**455**	474
Prepayments and accrued income		**2,274**	2,238
Interests in associates and joint ventures		**2,155**	1,929
Goodwill and intangible assets	14	**5,034**	4,719
Property, plant and equipment		**7,616**	7,252
Deferred tax assets		**1,427**	1,294
Assets classified as held for sale	12, 15	**1,386**	1,254
Total assets		**657,638**	646,692
Liabilities			
Deposits by banks	12	**38,264**	36,894
Customer accounts	12	**392,139**	371,855
Financial liabilities held at fair value through profit or loss	12	**17,485**	16,598
Derivative financial instruments	12, 13	**49,352**	65,712
Debt securities in issue	12	**46,300**	46,700
Other liabilities	12, 16	**35,588**	33,146
Current tax liabilities		**447**	327
Accruals and deferred income		**4,883**	5,223
Subordinated liabilities and other borrowed funds	12, 19	**19,926**	19,523
Deferred tax liabilities		**408**	353
Provisions for liabilities and charges		**179**	213
Retirement benefit obligations	21	**554**	525
Liabilities included in disposal groups held for sale	12, 16	**751**	965
Total liabilities		**606,276**	598,034
Equity			
Share capital and share premium account	20	**7,095**	7,091
Other reserves		**12,229**	11,524
Retained earnings		**26,771**	25,753
Total parent company shareholders' equity		**46,095**	44,368
Other equity instruments	20	**4,961**	3,969
Total equity excluding non-controlling interests		**51,056**	48,337
Non-controlling interests		**306**	321
Total equity		**51,362**	48,658
Total equity and liabilities		**657,638**	646,692

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2017

	Share capital and share premium account $million	Capital and merger reserves[1] $million	Own credit adjust-ment reserve $million	Available-for-sale reserve $million	Cash flow hedge reserve $million	Trans-lation reserve $million	Retained earnings $million	Parent company share-holders' equity $million	Other equity instru-ments $million	Non-controlling interests $million	Total $million
As at 1 January 2016	7,088	17,122	–	132	(46)	(5,026)	26,934	46,204	1,987	321	48,512
Transfer of own credit adjustment, net of taxation[5]	–	–	631	–	–	–	(631)	–	–	–	–
Profit for the period	–	–	–	–	–	–	580[5]	580	–	45	625
Other comprehensive (loss)/income	–	–	(71)[5]	(111)	29	55	(91)[2]	(189)	–	(5)	(194)
Distributions	–	–	–	–	–	–	–	–	–	(30)	(30)
Shares issued, net of expenses	2	7	–	–	–	–	–	9	–	–	9
Net own shares adjustment	–	–	–	–	–	–	1	1	–	–	1
Share option expense, net of taxation	–	–	–	–	–	–	24	24	–	–	24
Dividends, net of scrip[3]	–	–	–	–	–	–	(115)	(115)	–	–	(115)
Other movements[4]	–	–	–	–	–	–	–	–	–	(11)	(11)
As at 30 June 2016	7,090	17,129	560	21	(17)	(4,971)	26,702	46,514	1,987	320	48,821
(Loss)/profit for the period	–	–	–	–	–	–	(827)	(827)	–	11	(816)
Other comprehensive loss	–	–	(271)	(25)	(68)	(834)	(15)[2]	(1,213)	–	(6)	(1,219)
Distributions	–	–	–	–	–	–	–	–	–	(7)	(7)
Shares issued, net of expenses	1	–	–	–	–	–	–	1	–	–	1
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	1,982	–	1,982
Net own shares adjustment	–	–	–	–	–	–	(47)	(47)	–	–	(47)
Share option expense, net of taxation	–	–	–	–	–	–	56	56	–	–	56
Dividends, net of scrip[3]	–	–	–	–	–	–	(116)	(116)	–	–	(116)
Other movements[4]	–	–	–	–	–	–	–	–	–	3	3
As at 31 December 2016	**7,091**	**17,129**	**289**	**(4)**	**(85)**	**(5,805)**	**25,753**	**44,368**	**3,969**	**321**	**48,658**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,196**	**1,196**	**–**	**10**	**1,206**
Other comprehensive (loss)/income	**–**	**–**	**(296)**	**192**	**28**	**781**	**(46)[2]**	**659**	**–**	**3**	**662**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(52)**	**(52)**
Shares issued, net of expenses	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**–**	**4**
Other equity instruments issued, net of expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**992**	**–**	**992**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**8**	**8**	**–**	**–**	**8**
Share option expense, net of taxation	**–**	**–**	**–**	**–**	**–**	**–**	**68**	**68**	**–**	**–**	**68**
Dividends, net of scrip[3]	**–**	**–**	**–**	**–**	**–**	**–**	**(225)**	**(225)**	**–**	**–**	**(225)**
Other movements[6]	**–**	**–**	**–**	**–**	**–**	**–**	**17**	**17**	**–**	**24**	**41**
As at 30 June 2017	**7,095**	**17,129**	**(7)**	**188**	**(57)**	**(5,024)**	**26,771**	**46,095**	**4,961**	**306**	**51,362**

1 Includes capital reserve of $5 million, capital redemption reserve of $13 million and merger reserve of $17,111 million
2 Comprises actuarial loss, net of taxation and share from associates and joint ventures $46 million (30 June 2016: $91 million and 31 December 2016: $15 million)
3 Comprises dividends paid on preferences shares classified as equity and Additional Tier 1 securities $225 million (30 June 2016: $115 million and 31 December 2016: $116 million)
4 Mainly due to completion of sale of businesses with non-controlling interest in Pakistan and issuance of shares to non-controlling interest in Angola
5 The Group has early adopted IFRS 9 Financial Instruments to present own credit adjustments within other comprehensive income, refer to note 1
6 Mainly due to the additional share capital issued including the premium by Nepal to its non-controlling interests of $29 million and $12 million with respect to an acquisition during the first half of 2017

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2017

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Cash flows from operating activities			
Profit/(loss) before taxation	**1,754**	(554)	963
Adjustments for non-cash items and other adjustments included within income statement	**1,034**	2,564	2,051
Change in operating assets	**(6,951)**	11,958	(20,244)
Change in operating liabilities	**2,415**	(7,507)	20,587
Contributions to defined benefit schemes	**(50)**	(53)	(45)
UK and overseas taxes paid	**(459)**	(633)	(654)
Net cash (used in)/from operating activities	**(2,257)**	5,775	2,658
Cash flows from investing activities			
Purchase of property, plant and equipment	**(57)**	(140)	(55)
Disposal of property, plant and equipment	**27**	8	15
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	**(44)**	(55)	(183)
Dividends received from associates and joint ventures	**1**	2	1
Disposal of subsidiaries	**24**	627	9
Purchase of investment securities	**(133,332)**	(113,175)	(94,099)
Disposal and maturity of investment securities	**135,047**	112,612	98,245
Net cash from/(used in) investing activities	**1,666**	(121)	3,933
Cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	**4**	1	9
Exercise of share options	**8**	2	3
Purchase of own shares	**–**	(49)	(2)
Issue of Additional Tier 1 capital, net of expenses	**992**	1,982	–
Gross proceeds from issue of subordinated liabilities	**–**	1,250	–
Interest paid on subordinated liabilities	**(257)**	(506)	(414)
Repayment of subordinated liabilities	**–**	(782)	(1,884)
Proceeds from issue of senior debts	**261**	2,254	3,199
Repayment of senior debts	**(1,185)**	(1,427)	(5,043)
Interest paid on senior debts	**(348)**	(200)	(254)
Investment in/(repayment from) non-controlling interests	**24**	(9)	1
Dividends paid to non-controlling interests and preference shareholders, net of scrip	**(277)**	(123)	(145)
Net cash (used in)/from financing activities	**(778)**	2,393	(4,530)
Net (decrease)/increase in cash and cash equivalents	**(1,369)**	8,047	2,061
Cash and cash equivalents at beginning of the period	**96,977**	92,165	88,428
Effect of exchange rate movements on cash and cash equivalents	**2,988**	(3,235)	1,676
Cash and cash equivalents at end of the period	**98,596**	96,977	92,165

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Notes to the financial statements

1. BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements consolidate those of Standard Chartered PLC (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interest in associates and jointly controlled entities. These interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (FCA) and with *IAS 34 Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). They should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as issued by the IASB and endorsed by the EU. At 30 June 2017, there was no difference between IFRS endorsed by the EU and the IFRS issued by the IASB in terms of their application to the Group.

The following form part of these interim financial statements:

a)Risk review: from the start of Risk update to the end of the Operational risk section excluding:

- Risk update
- Selected portfolios
- Country cross-border risk
- Market risk changes – risks not in Value at Risk (VaR)
- Market risk changes – backtesting
- Liquidity coverage ratio (LCR)
- Net stable funding ratio (NSFR)
- Stress coverage
- Liquidity pool
- Encumbrance assets
- Operational risk

b) Capital review: from the start of Capital Requirements Directive (CRD) IV capital base to the end of Movement in total capital, excluding capital ratios and risk-weighted assets (RWA)

Significant accounting estimates and judgements
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at, and for, the year ended 31 December 2016.

A summary of the Group's significant accounting policies will be included in the *2017 Annual Report and Accounts*.

Hong Kong accounting requirements
As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between EU endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards. EU endorsed IFRS may differ from IFRSs published by the International Accounting Standards Board if a standard has not been endorsed by the EU.

Comparatives
Following the EU Adoption of *IFRS 9 Financial Instruments* in November 2016, the Group elected to early apply the requirements for the presentation of gains and losses on financial liabilities designated
as at fair value through profit or loss relating to own credit in other comprehensive income rather than net trading income (without applying the other requirements in IFRS 9). The own credit amounts are accounted for as a separate category of equity. These amounts will not be recycled to the income statement but will be transferred to retained earnings on derecognition of the applicable instruments.

As a result of this IFRS 9 adoption in 2016, the 2017 half year comparative information has been restated to reflect these changes to the first half of 2016. The effect of this comparative restatement was a debit to Other Comprehensive Income of $70 million, with the corresponding credit to Trading Income.

Comparatives have been changed to comply with the current period disclosure in note 17 Contingent liabilities and commitments. Details of these changes are set out in the note. These changes have not resulted in any amendments to the reported income statement or balance sheet of the Group.

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

Going concern
These interim financial statements were approved by the Board of Directors on 2 August 2017. The Directors made an assessment of the Group's ability to continue as a going concern and confirm they are satisfied that the Group has adequate resources to continue in business for a period at least 12 months from the date of approval of these interim financial statements. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

New accounting standards in issue but not yet effective
A number of new standards are effective for periods beginning after 1 January 2017 and have not been applied in preparing these condensed consolidated interim financial statements. These include:

IFRS 9 Financial Instruments
IFRS 9 was issued in July 2014 and has an effective date of 1 January 2018. It was endorsed by the EU in November 2016. IFRS 9 replaces a number of elements of *IAS 39 Financial Instruments: Recognition and Measurement;* introducing new requirements for the classification and measurement of financial instruments; the recognition and measurement of credit impairment provisions; and providing for a simplified approach to hedge accounting. The changes in measures arising on initial application of IFRS 9 will be incorporated through an adjustment to the opening reserves and retained earnings position as at 1 January 2018. Although IFRS 9 will be retrospectively applied, the Group is only permitted to restate comparatives if, and only if, it is possible without the use of hindsight.

The Group does not consider it possible to restate comparatives for impairment without the use of hindsight. If comparatives were to be restated, they must incorporate all of the requirements of IFRS 9. For further details on the effect

and implementation of IFRS 9 refer to note 26.

IFRS 15 Revenue from Contracts with Customers
The effective date of IFRS 15 is 1 January 2018 and the standard has been endorsed by the EU. The standard provides a more detailed principles-based approach for income recognition than the current standard *IAS 18 Revenue*. The new standard may either be applied fully retrospectively or can be applied on a 'modified retrospective' basis whereby recognition, measurement and disclosure requirements are applied from 1 January 2018, subject to a cumulative catch-up adjustment to opening retained earnings on this date in respect of open contracts in scope of the standard.

All income in Fees and commission income is in scope of IFRS 15. The work to assess the impact of the standard is ongoing, so it is not yet practicable to quantify the effect of IFRS 15 in these financial statements.

IFRS 16 Leases
The effective date of IFRS 16 is 1 January 2019 with early adoption permitted if IFRS 15 is also adopted at or before application of IFRS 16. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in *IAS 17 Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The work to assess the impact of the standard is ongoing and it is not yet practicable to quantify the effect of IFRS 16 on these consolidated financial statements. The Group have a balance sheet increase in lease liabilities and right of use assets on adoption of IFRS 16. The standard has yet to be endorsed by the EU.

2. SEGMENTAL INFORMATION

The Group's segmental reporting is in accordance with *IFRS 8 Operating Segments* and is reported consistently with the internal performance framework and as presented to the Group's Management Team. The four client segments are Corporate & Institutional Banking, Private Banking, Commercial Banking and Retail Banking. The four regions are Greater China & North Asia, ASEAN & South Asia, Africa & Middle East, and Europe & Americas. Activities not directly related to a client segment and/or region is included in Central & other items. This mainly includes Corporate Centre costs, treasury activities (including Asset and Liability Management), certain strategic investments and the UK bank levy.

Basis of preparation

The analysis reflects how the client segments and regions are managed internally. This is described as the Management View and is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. In certain instances this approach is not appropriate and a Financial View is disclosed, that is, the location in which the transaction or balance was booked. Typically the Financial View is used in areas such as the Market and Liquidity Risk reviews where actual location is more important for an assessment. Segmental information is therefore on a Management View unless otherwise stated.

Restructuring items excluded from underlying results

Income, costs and impairment relating to identifiable business units, products or portfolios from the date that they have been approved for restructuring, disposal, wind down or redundancy as a consequence of the Strategy Review announced 3 November 2015 are presented as restructuring and excluded from the underlying results of the Group. This includes realised and unrealised gains and losses from management's decisions to dispose of assets as well as residual income, direct costs and impairment of related legacy assets of those identifiable business units, products or portfolios.

Additional segmental information (statutory)

	6 months ended 30.06.17					
	Corporate & Institutional Banking $million	**Retail Banking $million**	**Commercial Banking $million**	**Private Banking $million**	**Central & other items $million**	**Total $million**
Net interest income	**1,568**	**1,495**	**386**	**132**	**385**	**3,966**
Other income	**1,614**	**943**	**272**	**110**	**316**	**3,255**
Operating income	**3,182**	**2,438**	**658**	**242**	**701**	**7,221**

	6 months ended 31.12.16					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Net interest income	1,448	1,479	383	146	346	3,802
Other income	1,785	874	240	89	265	3,253
Operating income	3,233	2,353	623	235	611	7,055

	6 months ended 30.06.16					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Net interest income	1,603	1,498	399	141	351	3,992
Other income	1,652	818	271	120	152	3,013
Operating income	3,255	2,316	670	261	503	7,005

	6 months ended 30.06.17					
	Greater China & North Asia $million	**ASEAN & South Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items $million**	**Total $million**
Net interest income	**1,395**	**1,156**	**808**	**316**	**291**	**3,966**
Other income	**1,395**	**828**	**578**	**490**	**(36)**	**3,255**
Operating income	**2,790**	**1,984**	**1,386**	**806**	**255**	**7,221**

	6 months ended 31.12.16					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	1,355	1,169	768	306	204	3,802
Other income	1,490	759	547	472	(15)	3,253
Operating income	2,845	1,928	1,315	778	189	7,055

	6 months ended 30.06.16					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	1,329	1,316	798	438	111	3,992
Other income	1,208	798	624	439	(56)	3,013
Operating income	2,537	2,114	1,422	877	55	7,005

	6 months ended 30.06.17							
	Hong Kong $million	**Korea $million**	**China $million**	**Singapore $million**	**India $million**	**UAE $million**	**UK $million**	**US $million**
Net interest income	**733**	**310**	**245**	**430**	**294**	**200**	**180**	**65**
Other income	**937**	**193**	**94**	**303**	**253**	**177**	**218**	**277**
Operating income	**1,670**	**503**	**339**	**733**	**547**	**377**	**398**	**342**

	6 months ended 31.12.16							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	708	298	241	371	320	189	183	63
Other income	1,096	147	112	354	114	158	178	250
Operating income	1,804	445	353	725	434	347	361	313

	6 months ended 30.06.16							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	667	288	264	446	360	203	268	116
Other income	863	148	75	329	161	199	153	232
Operating income	1,530	436	339	775	521	402	421	348

3. NET FEES AND COMMISSION

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Fees and commissions income	**1,981**	1,882	1,789
Fees and commissions expense	**(248)**	(229)	(211)
Net fees and commission	**1,733**	1,653	1,578

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Transaction Banking	**627**	592	602
Financial Markets	**(16)**	–	(62)
Corporate Finance	**273**	252	269
Wealth Management	**658**	569	520
Retail Products	**220**	230	234
Asset and Liability Management	**(6)**	(10)	(12)
Lending and Portfolio Management	**(26)**	18	32
Principal Finance	**8**	(2)	5
Others	**(5)**	4	(10)
Net fees and commission	**1,733**	1,653	1,578

Total fee income arising from financial instruments that are not fair valued through profit or loss is $529 million (31 December 2016: $530 million and 30 June 2016: $505 million) and arising from trust and other fiduciary activities of $67 million (31 December 2016: $58 million and 30 June 2016: $57 million).

Total fee expense arising from financial instruments that are not fair valued through profit or loss is $33 million (31 December 2016: $33 million and 30 June 2016: $23 million) and arising from trust and other fiduciary activities of $11 million (31 December 2016: $8 million and 30 June 2016: $9 million).

4. NET TRADING INCOME

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Net trading income	**973**	1,084	802[1]
Significant items within net trading income include:			
Gains on instruments held for trading	**1,080**	851	1,255
Gains/(losses) on financial assets designated at fair value through profit or loss	**41**	(17)	(56)
(Losses)/gains on financial liabilities designated at fair value through profit or loss	**(169)**	251	(429)

1 The Group has early adopted *IFRS 9 Financial Instruments* to present own credit adjustments within other comprehensive income, refer note 1

5. OTHER OPERATING INCOME

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Other operating income includes:			
Rental income from operating lease assets	**286**	290	271
Gains less losses on disposal of financial instruments:	**101**	15	177
Available-for-sale	**101**	30	162
Loans and receivables	**–**	(15)	15
Net gain on sale of businesses	**14**	284	–
Dividend income	**38**	4	48
Other[1]	**110**	(77)	137
	549	516	633

1 Includes fair value gains/(losses) on assets held for sale, see note 15

6. OPERATING EXPENSES

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Staff costs:			
Wages and salaries	**2,477**	2,387	2,326
Social security costs	**83**	71	74
Other pension costs (note 21)	**156**	154	162
Share-based payment costs	**80**	63	37
Other staff costs	**467**	690	339
	3,263	3,365	2,938
Premises and equipment expenses:			
Rental of premises	**189**	202	198
Other premises and equipment costs	**188**	196	183
Rental of computers and equipment	**9**	9	9
	386	407	390
General administrative expenses:			
UK bank levy	**–**	383[1]	–
Other general administrative expenses	**836**	1,121	868
	836	1,504	868
Depreciation and amortisation:			
Property, plant and equipment:			
Premises	**41**	59	39
Equipment	**40**	41	43
Operating lease assets	**158**	147	124
	239	247	206
Intangibles:			
Software	**140**	138	134
Acquired on business combinations	**6**	6	8
	385	391	348

1 The UK bank levy is applied on the chargeable equities and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2017 is the blended rate of 0.17 per cent for chargeable short-term liabilities, with a lower rate of 0.085 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). The rates will be gradually reduced over the next five years: from 1 January 2021, they will be 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities. In addition, the scope of the bank levy will be restricted to the balance sheet of UK operations only from that date

7. IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER CREDIT RISK PROVISIONS

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

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Net charge against profit on loans and advances:			
Individual impairment charge	**722**	1,386	1,167
Portfolio impairment (release)/charge	**(41)**	24	28
	681	1,410	1,195
Impairment (release)/charge related to credit commitments	**(26)**	21	24
Impairment charges relating to debt securities classified as loans and receivables	**–**	20	77
Impairment charges relating to credit risk mitigation instruments	**–**	44	–
Total impairment losses and other credit risk provisions on loans and advances	**655**	1,495	1,296

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

8. OTHER IMPAIRMENT

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Impairment of goodwill (see note 14)	**–**	166	–
Other impairment			
Impairment of fixed assets	**71**	27	104
Impairment losses on available-for-sale financial assets:			
– Debt securities	**–**	30	24
– Equity shares	**15**	141	105
Impairment of acquired intangible assets	**2**	–	–
Other	**5**	19	(4)
	93	217	229
Total other impairment	**93**	383	229

9. TAXATION

The following table provides analysis of taxation charge in the period:

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
The charge for taxation based upon the profit/(loss) for the period comprises:			
Current tax:			
UK corporation tax at 19.25 per cent (31 December 2016 and 30 June 2016: 20 per cent):			
Current tax charge on income for the period	**–**	10	–
Adjustments in respect of periods (including double taxation relief)	**1**	(78)	4
Foreign tax:			–
Current tax charge on income for the period	**607**	314	472
Adjustments in respect of prior periods	**14**	131	(47)
	622	377	429
Deferred tax:			
Origination/reversal of temporary differences	**(73)**	(40)	(96)
Adjustments in respect of prior periods	**(1)**	(75)	5
	(74)	(115)	(91)
Tax on profits/(loss) on ordinary activities	**548**	262	338
Effective tax rate	**31.2%**	nm	35.1%

Foreign taxation includes current taxation on Hong Kong profits of $80 million (31 December 2016: $38 million and 30 June 2016: $71 million) on the profits assessable in Hong Kong.

Deferred taxation includes origination or reversal of temporary differences in Hong Kong profits of $(1) million (31 December 2016: $(2) million and 30 June 2016: $(2) million) at a rate of 16.5 per cent (31 December 2016: 16.5 per cent and 30 June 2016: 16.5 per cent) on the profits assessable to Hong Kong.

The tax charge for the period of $548 million (31 December 2016: $262 million and 30 June 2016: $338 million) on a profit before taxation of $1,754 million (31 December 2016: $(554) million and 30 June 2016: $963 million) reflects the impact of non-deductible expenses and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India.

10. DIVIDENDS

There has been no dividend declared during the current and comparative reporting periods on ordinary shares.

Preference shares and Additional Tier 1 securities
Dividends on these preference shares and securities classified as equity are recorded in the period in which they are declared.

		30.06.17 $million	31.12.16 $million	30.06.16 $million
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of $5 each	**27**	27	26
	6.409 per cent preference shares of $5 each	**24**	24	24
		51	51	50
Additional Tier 1 securities: $5 billion fixed rate resetting perpetual subordinated contingent convertible securities		**174**	65	65
		225	116	115

Dividends on these preference shares are treated as interest expense and accrued accordingly.				
Non-cumulative irredeemable preference shares:	7 3/8 per cent preference shares of £1 each	**5**	5	5
	8 1/4 per cent preference shares of £1 each	**5**	5	6
		10	10	11

The amounts in the table above reflect the actual dividend per share declared and paid to shareholders in 2017 and 2016. Dividends on ordinary equity shares are recorded in the year in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

11. EARNINGS PER ORDINARY SHARE

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Profit/(loss) for the period attributable to equity holders	**1,206**	(816)	625[1]
Non-controlling interest	**(10)**	(11)	(45)
Dividend payable on preference shares and AT1 classified as equity	**(225)**	(116)	(115)
Profit/(loss) for the period attributable to ordinary share holders	**971**	(943)	465
Items normalised:			
Restructuring	**165**	740	115
Gains arising on repurchase of subordinated liabilities	**–**	–	(84)
Goodwill impairment (included within Other impairment)	**–**	166	–
Net gain on business disposed/held for sale (Included within Other operating income)	**–**	(253)	–
Other items	**–**	(1)	1
Tax on normalised items (included within Taxation)[2]	**(5)**	(65)	(30)
Underlying profit/(loss)	**1,131**	(356)	467
Basic – weighted average number of shares (millions)	**3,290**	3,289	3,286
Diluted – weighted average number of shares (millions)	**3,327**	3,326	3,300
Basic earnings/(loss) per ordinary share (cents)	**29.5**	(28.7)	14.1
Diluted earnings/(loss) per ordinary share (cents)	**29.2**	(28.7)[3]	14.1
Underlying basic earnings/(loss) per ordinary share (cents)	**34.4**	(10.8)	14.2
Underlying diluted earnings/(loss) per ordinary share (cents)	**34.0**	(10.8)[3]	14.2

1 The Group has early adopted *IFRS 9 Financial Instruments* to present own credit adjustments within other comprehensive income, refer note 1
2 No tax is included in respect of the impairment of goodwill as no tax relief is available
3 The impact of any diluted options has been excluded from this amount as required by *IAS 33 Earnings per share*

12. FINANCIAL INSTRUMENTS

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

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Available-for-sale $million	Assets at amortised cost: Loans and receivables $million	Assets at amortised cost: Held-to-maturity $million	Non-financial assets $million	Total $million
Cash and balances at central banks		–	–	–	–	76,922	–	–	76,922
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		386	–	2,490	–	–	–	–	2,876
Loans and advances to customers[1]		1,101	–	2,258	–	–	–	–	3,359
Debt securities and other eligible bills		17,908	–	398	–	–	–	–	18,306
Equity shares		192	–	960	–	–	–	–	1,152
		19,587	–	6,106	–	–	–	–	25,693
Derivative financial instruments	13	46,713	1,129	–	–	–	–	–	47,842
Loans and advances to banks[1,2]		–	–	–	–	76,806	–	–	76,806
Loans and advances to customers[1,2]		–	–	–	–	265,539	–	–	265,539
Investment securities									
Debt securities and other eligible bills		–	–	–	104,242	3,268	1,073	–	108,583
Equity shares		–	–	–	1,396	–	–	–	1,396
		–	–	–	105,638	3,268	1,073	–	109,979
Other assets	15	–	–	–	–	32,046	–	2,464	34,510
Assets held for sale	15	–	–	–	–	1,079	–	307	1,386
Total at 30 June 2017		66,300	1,129	6,106	105,638	455,660	1,073	2,771	638,677

Assets	Notes	Assets at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Assets at amortised cost: Loans and receivables $million	Held-to-maturity $million	Non-financial assets $million	Total $million
Cash and balances at central banks		–	–	–	–	70,706	–	–	70,706
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		267	–	1,793	–	–	–	–	2,060
Loans and advances to customers[1]		936	–	2,241	–	–	–	–	3,177
Debt securities and other eligible bills		13,310	–	354	–	–	–	–	13,664
Equity shares		425	–	751	–	–	–	–	1,176
		14,938	–	5,139	–	–	–	–	20,077
Derivative financial instruments	13	64,433	1,076	–	–	–	–	–	65,509
Loans and advances to banks[1,2]		–	–	–	–	72,609	–	–	72,609
Loans and advances to customers[1,2]		–	–	–	–	252,719	–	–	252,719
Investment securities									
Debt securities and other eligible bills		–	–	–	104,308	3,106	170	–	107,584
Equity shares		–	–	–	1,388	–	–	–	1,388
		–	–	–	105,696	3,106	170	–	108,972
Other assets	15	–	–	–	–	33,942	–	2,998	36,940
Assets held for sale	15	–	–	–	–	1,102	–	152	1,254
Total at 31 December 2016		79,371	1,076	5,139	105,696	434,184	170	3,150	628,786

1 Further analysed in Risk review

2 Included within loans and advances to banks and loans and advances to customers are reverse repurchase agreement balances of $44 billion (31 December 2016: $42 billion). Collateral received against this balance totals $58 billion (31 December 2016: $55 billion)

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		**–**	**–**	**1,009**	**–**	**–**	**1,009**
Customer accounts		**–**	**–**	**6,199**	**–**	**–**	**6,199**
Debt securities in issue		**–**	**–**	**6,790**	**–**	**–**	**6,790**
Short positions		**3,487**	**–**	**–**	**–**	**–**	**3,487**
		3,487	**–**	**13,998**	**–**	**–**	**17,485**
Derivative financial instruments	13	**47,038**	**2,314**	**–**	**–**	**–**	**49,352**
Deposits by banks[1]		**–**	**–**	**–**	**38,264**	**–**	**38,264**
Customer accounts[1]		**–**	**–**	**–**	**392,139**	**–**	**392,139**
Debt securities in issue		**–**	**–**	**–**	**46,300**	**–**	**46,300**
Other liabilities	16	**–**	**–**	**–**	**35,267**	**321**	**35,588**
Subordinated liabilities and other borrowed funds	19	**–**	**–**	**–**	**19,926**	**–**	**19,926**
Liabilities included in disposal groups held for sale	16	**–**	**–**	**–**	**744**	**7**	**751**
Total at 30 June 2017		**50,525**	**2,314**	**13,998**	**532,640**	**328**	**599,805**

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Amortised cost $million	Non-financial liabilities $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	718	–	–	718
Customer accounts		–	–	6,447	–	–	6,447
Debt securities in issue		–	–	5,670	–	–	5,670
Short positions		3,763	–	–	–	–	3,763
		3,763	–	12,835	–	–	16,598
Derivative financial instruments	13	62,917	2,795	–	–	–	65,712
Deposits by banks[1]		–	–	–	36,894	–	36,894
Customer accounts[1]		–	–	–	371,855	–	371,855
Debt securities in issue		–	–	–	46,700	–	46,700
Other liabilities	16	–	–	–	32,958	188	33,146
Subordinated liabilities and other borrowed funds	19	–	–	–	19,523	–	19,523
Liabilities included in disposal groups held for sale	16	–	–	–	958	7	965
Total at 31 December 2016		66,680	2,795	12,835	508,888	195	591,393

1 Included within deposits by banks and customer accounts are repurchase agreement balances of $40 billion (31 December 2016: $38 billion). Collateral pledged against this balance totals $41 billion (31 December 2016: $38 billion)

Loans and advances designated at fair value through profit or loss
The maximum exposure to credit risk for loans designated at fair value through profit or loss was $4,748 million (31 December 2016: $4,034 million). The net fair value gain on loans and advances to bank and customers designated at fair value through profit or loss was $28 million (31 December 2016: $17 million). Of this, $0.2 million (31 December 2016: $1 million) relates to changes in credit risk. The cumulative fair value movement changes attributable to changes in credit risk was $2 million (31 December 2016: $2 million).

Financial liabilities designated at fair value through profit or loss

	30.06.17 $million	31.12.16 $million
Carrying balance aggregate fair value	**13,998**	12,835
Amount contractually obliged to repay at maturity	**13,731**	12,941
Difference between aggregate fair value and contractually obliged to repay at maturity	**267**	(106)
Cumulative change in FV accredited to credit risk difference[1]	**21**	331

1 The Group has early adopted *IFRS 9 Financial Instruments* to present own credit adjustments within other comprehensive income, refer note 1

The net fair value loss on financial liabilities designated at fair value through profit or loss was $169 million for the period (31 December 2016: net loss of $178 million).

Valuation of financial instruments
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in the absence of this, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects the Group's non-performance risk. The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risks or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the instruments held by the Group.

The Valuation Control function is responsible for independent price verification, oversight of fair value adjustments and escalation of valuation issues. Independent price verification is the process of determining the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Control function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification may include those sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Control performs a semi-annual review of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

Formal committees for the business clusters, consisting of representatives from Group Market Risk, Product Control, Valuation Control and the business meet monthly to discuss and approve the valuations of the inventory. The Principal Finance valuation committee meetings are held on a quarterly basis. The business cluster valuation committees fall under the Valuation Benchmarks Committee (VBC) as part the of the valuation governance structure.

Valuation techniques

- **Financial instruments held at fair value**
  - **Loans and advances:** These include loans in the global syndications business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets. These loans are generally bilateral in nature and, where available, their valuation is based on market observable credit spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector, and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3
  - **Debt securities – asset backed securities:** Asset backed securities are priced based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type and credit ratings. Therefore, once external pricing has been verified, an assessment is made whether each security is traded with significant liquidity based on its credit rating and sector. If a security is of high credit rating and is traded in a liquid sector, it will be classified as Level 2, otherwise it will be classified as Level 3
  - **Other debt securities:** These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined

with reference to the same issuer (if available) or proxied from comparable issuers or assets

- **Equity shares – private equity:** The majority of private equity unlisted investments are valued based on earning multiples – Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternate valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, OTC prices) are classified as Level 3 on the basis that the valuation methods involve judgments ranging from determining comparable companies to discount rates where the discounted cash flow method is applied
- **Derivatives:** Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data
- **Debt securities in issue:** These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuation of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets

- **Financial instruments held at amortised cost**

The following sets out the Group's basis of establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not traded, there is a significant level of management judgement involved in calculating the fair values.

- **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
- **Loans and advances to banks and customers:** For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and, where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using inputs proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or inputs proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relate to asset backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows. The Group has a wide range of individual investments within the unlisted debt securities portfolio. Given the number of instruments involved, providing quantification of the key assumptions used to value such instruments is impractical, with no one assumption being material
- **Deposits and borrowings:** The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity. The Group adjusts the fair value of deposits and borrowings for own credit adjustment using the principles described above
- **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- **Day one profit or loss:** In certain circumstances the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated
- **Other assets:** Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short term in nature or reprice to current mark rates frequently.

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments in determining fair value for financial assets and financial liabilities are as follows:

Valuation adjustments	30.06.17 $million	31.12.16 $million
Bid-offer	**92**	106
Credit[1]	**306**	443
Own credit	**21**	331
Model	**8**	6
Funding	**111**	248
Others (including day one)	**137**	132
Total	**675**	1,266

1 Includes debit valuation adjustments on derivatives

Fair value hierarchy – Financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques
as at the end of the reporting period.

- **Level 1:** Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- **Level 2:** Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- **Level 3:** Fair value measurements are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy.

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,876	–	2,876
Loans and advances to customers	–	3,155	204	3,359
Debt securities and other eligible bills	6,768	11,505	33	18,306
Of which:				
Government bonds and treasury bills	6,248	5,602	–	11,850
Issued by corporates other than financial institutions	226	2,941	32	3,199
Issued by financial institutions	294	2,962	1	3,257
Equity shares	199	–	953	1,152
Derivative financial instruments	413	47,221	208	47,842
Of which:				
Foreign exchange	52	36,301	181	36,534
Interest rate	4	9,969	8	9,981
Commodity	357	722	–	1,079
Credit	–	204	–	204
Equity and stock index	–	25	19	44
Investment securities				
Debt securities and other eligible bills	56,906	47,082	254	104,242
Of which:				
Government bonds and treasury bills	45,257	16,622	246	62,125
Issued by corporates other than financial institutions	6,417	7,784	8	14,209
Issued by financial institutions	5,232	22,676	–	27,908
Equity shares	906	5	485	1,396
Total at 30 June 2017	65,192	111,844	2,137	179,173

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	932	77	1,009
Customer accounts	–	6,199	–	6,199
Debt securities in issue	–	6,245	545	6,790
Short positions	1,155	2,332	–	3,487
Derivative financial instruments	423	48,746	183	49,352
Of which:				
Foreign exchange	42	37,917	134	38,093
Interest rate	16	9,766	24	9,806
Commodity	365	440	–	805
Credit	–	595	2	597
Equity and stock index	–	28	23	51
Total at 30 June 2017	1,578	64,454	805	66,837

There have been no significant changes to valuation or levelling approaches in 2017.

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

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,060	–	2,060
Loans and advances to customers	–	2,998	179	3,177
Debt securities and other eligible bills	4,249	9,411	4	13,664
Of which:				
Government bonds and treasury bills	4,044	4,242	–	8,286
Issued by corporates other than financial institutions	77	2,467	3	2,547
Issued by financial institutions	128	2,702	1	2,831
Equity shares	181	–	995	1,176
Derivative financial instruments	513	64,636	360	65,509
Of which:				
Foreign exchange	52	53,706	324	54,082
Interest rate	14	9,858	6	9,878
Commodity	447	879	–	1,326
Credit	–	171	–	171
Equity and stock index	–	22	30	52
Investment securities				
Debt securities and other eligible bills	58,547	45,562	199	104,308
Of which:				
Government bonds and treasury bills	47,002	14,491	173	61,666
Issued by corporates other than financial institutions	6,928	7,741	24	14,693
Issued by financial institutions	4,617	23,330	2	27,949
Equity shares	798	41	549	1,388
Total at 31 December 2016	64,288	124,708	2,286	191,282

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	718	–	718
Customer accounts	–	6,447	–	6,447
Debt securities in issue	–	5,140	530	5,670
Short positions	1,845	1,918	–	3,763
Derivative financial instruments	547	64,849	316	65,712
Of which:				
Foreign exchange	52	53,838	233	54,123
Interest rate	25	9,911	25	9,961
Commodity	470	628	–	1,098
Credit	–	442	30	472
Equity and stock index	–	30	28	58
Total at 31 December 2016	2,392	79,072	846	82,310

There are no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during 2016.

Fair value hierarchy – financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

		Fair value			
	Carrying value $million	**Level 1 $million**	**Level 2 $million**	**Level 3 $million**	**Total $million**
Assets					
Cash and balances at central banks[1]	**76,922**	**–**	**76,922**	**–**	**76,922**
Loans and advances to banks	**76,806**	**–**	**76,694**	**5**	**76,699**
Loans and advances to customers	**265,539**	**–**	**11,822**	**253,894**	**265,716**
Investment securities	**4,341**	**–**	**4,271**	**6**	**4,277**
Other assets[1]	**32,046**	**–**	**32,046**	**–**	**32,046**
Assets held for sale	**1,079**	**–**	**–**	**1,079**	**1,079**
At 30 June 2017	**456,733**	**–**	**201,755**	**254,984**	**456,739**
Liabilities					
Deposits by banks[1]	**38,264**	**–**	**38,225**	**–**	**38,225**
Customer accounts	**392,139**	**–**	**392,162**	**–**	**392,162**
Debt securities in issue	**46,300**	**16,834**	**29,450**	**–**	**46,284**
Subordinated liabilities and other borrowed funds	**19,926**	**19,734**	**191**	**–**	**19,925**
Other liabilities[1]	**35,267**	**–**	**35,267**	**–**	**35,267**
Liabilities included in disposal groups held for sale	**744**	**–**	**744**	**–**	**744**
At 30 June 2017	**532,640**	**36,568**	**496,039**	**–**	**532,607**

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	70,706	–	70,706	–	70,706
Loans and advances to banks	72,609	–	72,545	–	72,545
Loans and advances to customers	252,719	–	7,762	244,662	252,424
Investment securities	3,276	–	3,252	6	3,258
Other assets[1]	33,942	–	33,942	–	33,942
Assets held for sale	1,102	–	–	1,102	1,102
At 31 December 2016	434,354	–	188,207	245,770	433,977
Liabilities					
Deposits by banks	36,894	–	36,762	–	36,762
Customer accounts	371,855	–	371,823	–	371,823
Debt securities in issue	46,700	17,132	29,568	–	46,700
Subordinated liabilities and other borrowed funds	19,523	18,655	177	–	18,832
Other liabilities[1]	32,958	–	32,958	–	32,958
Liabilities included in disposal groups held for sale	958	–	958	–	958
At 31 December 2016	508,888	35,787	472,246	–	508,033

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

Level 3 summary and significant unobservable inputs

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

Instrument	Value at 30 June 2017 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	**204**	–	Comparable pricing/yield	Price/yield	3.7% to 7.0%	4.4%
				Recovery rates	2.7% to 73.9%	59.1%
Debt securities	**37**	–	Comparable pricing/yield	Price/yield	10.1%	10.1%
Asset backed securities	**4**	–	Discounted cash flows	Price/yield	4.2%	4.2%
Deposits by banks	–	**77**	Discounted cash flows	Credit spreads	0.1% to 1.0%	0.7%
Debt securities in issue	–	**545**	Discounted cash flows	Credit spreads	0.1% to 4.0%	1.6%
Government bonds and treasury bills	**246**	–	Discounted cash flows	Price/yield	2.3% to 11.2%	7.8%
Derivative financial instruments of which:						
Foreign exchange	**181**	**134**	Option pricing model	Foreign exchange option implied volatility	1.9% to 7.4%	5.0%
			Discounted cash flows	Foreign exchange and interest rate curves	2.3% to 20.8%	9.4%
Interest rate	**8**	**24**	Discounted cash flows	Interest rate curves	0.8% to 7.1%	6.7%
Credit	–	**2**	Discounted cash flows	Credit spreads	0.1% to 4.0%	1.3%
Equity	**19**	**23**	Internal pricing model	Equity correlation Equity-FX correlaton	20.0% to 89.0% -85.0% to 85.0%	N/A N/A
Equity shares (includes private equity investments)	**1,438**	–	Comparable pricing/yield	EV/EBITDA multiples	7.7x to 16.3x	10.2x
				P/E multiples	10.5x to 20.6x	14.1x
				P/B multiples	1.3x to 2.0x	1.6x
				P/S multiple	1.8x	1.8x
				Liquidity discount	10% to 20%	17.3%
			Discounted cash flows	Discount rates	8.6% to 25.0%	23.9%
Total	**2,137**	**805**				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments during the reporting period ended 30 June 2017. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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

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

- **Credit spreads** represent the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument
- **Recovery rates** are the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan
- **Comparable price/yield** is a valuation methodology in which a price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash-flows in a discounted cash-flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (for example, deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset
- **Correlation** is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates
- **Volatility** represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be
- **Interest rate curves** is the term structure of interest rates and measure of future interest rates at a particular point of time

- **EV/EBITDA ratio multiples** is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple in isolation, will result in a favourable movement in the fair value of the unlisted firm
- **Price-Earnings (P/E) multiples** is the ratio of the Market Capitalisation to the Net Income after tax. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm
- **Liquidity discounts in the valuation of unlisted investments:** A liquidity discount is primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm
- **Price-Book (P/B) multiple:** This is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Sales (P/S) multiple:** This is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm

Level 3 movement tables – Financial assets

The table below analyses movements in Level 3 financial assets carried at fair value.

Assets	Held at fair value through profit or loss				Investment securities		
	Loans and advances to customers $million	Debt securities and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2017	179	4	995	360	199	549	2,286
Total gains/(losses) recognised in income statement	2	–	6	(1)	(5)	(8)	(6)
Net Interest income	–	–	–	–	(5)	–	(5)
Net trading income	2	–	6	(1)	–	–	7
Other operating income	–	–	–	–	–	7	7
Impairment charge	–	–	–	–	–	(15)	(15)
Total losses recognised in other comprehensive income	–	–	–	–	7	16	23
Available-for-sale reserve	–	–	–	–	–	8	8
Exchange difference	–	–	–	–	7	8	15
Purchases	–	30	73[3]	6	148	9	266
Sales	–	(1)	(66)	–	–	(77)	(144)
Settlements	–	–	–	(101)	(80)	–	(181)
Transfers out[1]	–	–	(55)[3]	(58)	(15)	(4)	(132)
Transfers in[2]	23	–	–	2	–	–	25
At 30 June 2017	204	33	953	208	254	485	2,137
Total unrealised losses recognised in the income statement, within net interest income, relating to change in fair value of assets held at 30 June 2017	–	–	–	–	(7)	–	(7)
Total unrealised gains/(losses) recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2017	2	1	16	(3)	–	–	16
Total unrealised losses recognised in the income statement, within impairment charges at 30 June 2017	–	–	–	–	–	(15)	(15)

1 Transfers out during the period primarily relate to equity shares, derivative financial instruments and debt securities and other eligible bills where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2 financial assets

2 Transfers in during the period primarily relate to loans and advances and derivative financial instruments where the valuation parameters become unobservable during the period

3 When an entity is consolidated through a step up in ownership, the additional equity shares acquired are disclosed in the Purchases line. Subsequently these shares are eliminated on consolidation and disclosed in the Transfer Out line. Any underlying level 3 financial instruments which are recognised as a result of the consolidation are disclosed in the Transfer In line

Assets	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Debt securities and other eligible bills $million	Held at fair value through profit or loss: Equity shares $million	Derivative financial instruments $million	Investment securities: Debt securities and other eligible bills $million	Investment securities: Equity shares $million	Total $million
At 1 January 2016	232	256	813	478	339	841	2,959
Total (losses)/gains recognised in income statement	(87)	4	(268)	44	(64)	(198)	(569)
Net trading income	(87)	4	(268)	44	–	–	(307)
Other operating income	–	–	–	–	–	(7)	(7)
Impairment charge	–	–	–	–	(64)	(191)	(255)
Total losses recognised in other comprehensive income	–	–	–	–	(4)	1	(3)
Available-for-sale reserve	–	–	–	–	–	5	5
Exchange difference	–	–	–	–	(4)	(4)	(8)
Purchases	–	73	300	32	104	121	630
Sales	(6)	(197)	(60)	(13)	(50)	(36)	(362)
Settlements	(67)	(10)	–	(54)	(23)	–	(154)
Transfers out[1]	(100)	(122)	–	(127)	(120)	(180)	(649)
Transfers in[2]	207	–	210	–	17	–	434
At 31 December 2016	179	4	995	360	199	549	2,286
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2016	(87)	5	(258)	24	–	–	(316)
Total unrealised (losses)/gains recognised in the income statement, within impairment charges at 31 December 2016	–	–	–	–	(64)	(191)	(255)

1 Transfers out during the year primarily relate to loans and advances, debt securities and other eligible bills, derivative financial instruments and equity shares where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2 financial assets

2 Transfers in during the year primarily relate to loans and advances, equity shares and debt securities and other eligible bills where the valuation parameters become unobservable during the year

Level 3 movement tables – Financial liabilities

	30.06.17				
	Deposits by banks $million	**Customer accounts $million**	**Debt securities in issue $million**	**Derivative financial instruments $million**	**Total $million**
At 1 January 2017	**–**	**–**	**530**	**316**	**846**
Total losses/(gains) recognised in income statement – net trading income	**4**	**–**	**23**	**(8)**	**19**
Issues	**73**	**–**	**155**	**1**	**229**
Settlements	**–**	**–**	**(164)**	**(126)**	**(290)**
Transfers in[1]	**–**	**–**	**1**	**–**	**1**
At 30 June 2017	**77**	**–**	**545**	**183**	**805**
Total unrealised losses/(gains) recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2017	**4**	**–**	**26**	**(10)**	**20**

1 Transfers in during the period primarily relate to debt securities in issue for which parameters became unobservable during the period

	31.12.16				
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2016	–	1	495	319	815
Total losses recognised in income statement – net trading income	–	–	1	31	32
Issues	–	–	268	78	346
Settlements	–	–	(237)	(74)	(311)
Transfers out[1]	–	(1)	–	(38)	(39)
Transfers in[2]	–	–	3	–	3
At 31 December 2016	–	–	530	316	846
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2016	–	–	5	39	44

1 Transfers out during the period primarily relate to customer accounts and derivative financial instruments where the valuation parameters became observable during the period and were transferred to Level 2 financial liabilities
2 Transfers in during the period primarily relate to debt securities in issue for which parameters became unobservable during the period

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

Sensitivity analysis is performed on products valued using significant unobservable inputs. The analysis applies a 10 per cent increase or decrease on these significant unobservable inputs to generate a range of reasonably possible alternative valuations. This percentage shift is determined by statistical analyses performed on a set of reference prices corresponding to the underlying Level 3 assets. Favourable and unfavourable changes in fair value are determined by the shifted levels of valuation used for the unobservable inputs. This Level 3 sensitivity analysis does not consider offsets for hedges.

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

	Held at fair value through profit or loss			Available-for-sale		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Debt securities and other eligible bills	**33**	**36**	**30**	**254**	**256**	**252**
Equity shares	**953**	**1,062**	**844**	**485**	**534**	**437**
Loan and advances	**204**	**207**	**200**	**–**	**–**	**–**
Derivative financial instruments	**25**	**43**	**8**	**–**	**–**	**–**
Deposits by banks	**(77)**	**(76)**	**(78)**	**–**	**–**	**–**
Debt securities in issue	**(545)**	**(534)**	**(550)**	**–**	**–**	**–**
At 30 June 2017	**593**	**738**	**454**	**739**	**790**	**689**
Financial instruments held at fair value						
Debt securities and other eligible bills	4	4	4	199	200	198
Equity shares	995	1,095	896	549	604	494
Loan and advances	179	187	171	–	–	–
Derivative financial instruments	44	158	25	–	–	–
Debt securities in issue	(530)	(521)	(539)	–	–	–
At 31 December 2016	692	923	557	748	804	692

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

Financial instruments	Fair value changes	30.06.17 $million	31.12.16 $million
Designated at fair value through profit or loss	Possible increase	**145**	231
	Possible decrease	**(139)**	(135)
Available-for-sale	Possible increase	**51**	56
	Possible decrease	**(50)**	(56)

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives	30.06.17 Notional principal amounts $million	30.06.17 Assets $million	30.06.17 Liabilities $million	31.12.16 Notional principal amounts $million	31.12.16 Assets $million	31.12.16 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**2,012,033**	**16,936**	**18,040**	1,896,056	24,872	24,475
Currency swaps and options	**1,320,256**	**19,598**	**20,053**	1,288,908	29,210	29,648
Exchange traded futures and options	**100**	**–**	**–**	225	–	–
	3,332,389	**36,534**	**38,093**	3,185,189	54,082	54,123
Interest rate derivative contracts:						
Swaps	**2,525,115**	**8,559**	**8,335**	2,191,851	8,425	8,409
Forward rate agreements and options	**101,109**	**1,329**	**1,382**	114,988	1,305	1,404
Exchange traded futures and options	**1,214,860**	**93**	**89**	789,901	148	148
	3,841,084	**9,981**	**9,806**	3,096,740	9,878	9,961
Credit derivative contracts	**28,415**	**204**	**597**	25,101	171	472
Equity and stock index options	**1,963**	**44**	**51**	2,535	52	58
Commodity derivative contracts	**74,258**	**1,079**	**805**	80,921	1,326	1,098
Total derivatives	**7,278,109**	**47,842**	**49,352**	6,390,486	65,509	65,712

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

Derivatives held for hedging

Included in the table above are derivatives held for hedging purposes as follows:

	30.06.17 Notional principal amounts $million	30.06.17 Assets $million	30.06.17 Liabilities $million	31.12.16 Notional principal amounts $million	31.12.16 Assets $million	31.12.16 Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	**48,905**	**974**	**263**	48,565	972	303
Forward foreign exchange contracts	**–**	**–**	**–**	419	12	15
Currency swaps	**16,695**	**106**	**1,844**	21,495	37	2,377
	65,600	**1,080**	**2,107**	70,479	1,021	2,695
Derivatives designated as cash flow hedges:						
Interest rate swaps	**11,418**	**22**	**48**	10,236	3	84
Forward foreign exchange contracts	**413**	**–**	**35**	883	–	13
Currency swaps	**1,587**	**24**	**22**	1,258	1	3
	13,418	**46**	**105**	12,377	4	100
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**2,906**	**3**	**102**	1,313	51	–
Total derivatives held for hedging	**81,924**	**1,129**	**2,314**	84,169	1,076	2,795

14. GOODWILL AND INTANGIBLE ASSETS

	30.06.17				30.06.16			
	Goodwill $million	Acquired intan-gibles $million	Computer software[1] $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost at 30 June	**3,552**	**576**	**2,128**	**6,256**	3,640	518	1,774	5,932
Provision for amortisation	**–**	**(455)**	**(767)**	**(1,222)**	–	(444)	(694)	(1,138)
Net book value at 30 June	**3,552**	**121**	**1,361**	**5,034**	3,640	74	1,080	4,794

	31.12.16			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost at 31 December	3,622	505	1,881	6,008
Impairment charge	(166)	–	–	(166)
	3,456	505	1,881	5,842
Provision for amortisation	–	(431)	(692)	(1,123)
Net book value at 31 December	3,456	74	1,189	4,719

1 Computer software is materially all internally generated

Outcome of impairment assessment

At 30 June 2017, the Group performed a review of the goodwill that has been assigned to the Group's cash generating units for indicators of impairment, considering whether there were any reduced expectations for future cash flows and/or fluctuations in the discount rate or the assumptions. The results of this review indicated that there is no goodwill impairment to be recognised.

It continues to be possible that certain scenarios could be constructed where a combination of a material change in the discount rate coupled with a reduction in current business plan forecasts or the GDP growth rate would potentially result in the carrying amount of goodwill exceeding the recoverable amount in the future. Refer to note 17, Goodwill and intangible assets, in the *2016 Annual Report and Accounts*.

15. OTHER ASSETS

	30.06.17 $million	31.12.16 $million
Financial assets held at amortised cost (note 12)		
Hong Kong SAR Government certificates of indebtedness (note 16)[1]	**5,262**	5,444
Cash collateral	**11,221**	14,230
Acceptances and endorsements	**4,651**	4,479
Unsettled trades and other financial assets	**10,912**	9,789
	32,046	33,942
Non-financial assets		
Commodities	**2,177**	2,719
Other assets	**287**	279
	34,510	36,940

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

The disposal groups below have been presented as held for sale following the approval of the Group management and the transactions are expected to complete during the second half of 2017. The assets and liabilities of the disposal groups were remeasured to the lower of carrying amount and fair value less costs to sell.

Assets held for sale	30.06.17 $million	31.12.16 $million
Cash and balances at central banks	**–**	1
Loans and advances to customers	**1,079**	1,101
Prepayments and accrued income	**8**	9
Interest in Associates	**137**	131
Property, plant and equipment	**162**	12
	1,386	1,254

Assets held for sale represent businesses and other assets held for sales which are measured at fair value less costs to sell. The disposal group includes:

- Retail Banking Business of Standard Chartered Bank (Thai) Public Company Limited ($1,086 million), expected to be completed in second half of 2017
- Asia Commercial Bank ($137 million), expected to be completed in second half of 2017
- Four aircraft valued at ($153 million) currently under lease, were designated as assets held for sale during the period

There have been reversal of losses due to changes in fair value of assets classified as held for sale during 2017 $1.6 million (2016: $44 million loss) within other operating income (note 5).

The assets reported above are Level 3 except for cash and balances at central banks (level 2) and financial assets held at fair value through profit and loss (Level 2). The net liabilities due to Group undertakings will be transferred to the acquirers on completion of the sale.

16. OTHER LIABILITIES

	30.06.17 $million	31.12.16 $million
Financial liabilities held at amortised cost (note 12)		
Notes in circulation[1]	**5,262**	5,444
Acceptances and endorsements	**4,651**	4,479
Cash collateral	**8,183**	9,624
Unsettled trades and other financial liabilities	**17,171**	13,411
	35,267	32,958
Non-financial liabilities		
Cash-settled share based payments	**27**	26
Other liabilities	**294**	162
	35,588	33,146

1 Hong Kong currency notes in circulation of $5,262 million (31 December 2016: $5,444 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 15)

Liabilities included in disposal groups held for sale[1]	30.06.17 $million	31.12.16 $million
Customer accounts	**744**	958
Other liabilities	**7**	1
Accruals and deferred income	**–**	6
	751	965

1 Liabilities included in disposal groups held for sale are classified within Level 2 of the fair value hierarchy. The disposal group represents the Retail Banking business of Standard Chartered Bank (Thai) Public Company Limited (assets classified as held for sale $751 million) and is expected to be completed in the second half of 2017

17. CONTINGENT LIABILITIES AND COMMITMENTS

	30.06.17 $million	31.12.16 $million
Contingent liabilities		
Guarantees and irrevocable letters of credit	**34,402**	32,286[1]
Other contingent liabilities	**6,869**	6,016[1]
	41,271	38,302[1]
Commitments		
Documentary credits and short-term trade-related transactions	**3,919**	4,120
Forward asset purchases and forward deposits placed	**–**	6
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	**39,905**	38,108
Less than one year	**19,568**	17,547
Unconditionally cancellable	**114,690**	118,330
	178,082	178,111
Capital commitments		
Contracted capital expenditure approved by the directors but not provided for in these accounts	**1,161**	1,736

1 Guarantees and irrevocable letters of credit have been restated and reduced by $1.3 billion. This is offset by a $2.2 billion restatement in other contingent liabilities. Accordingly, total contingent liabilities of the Group in 2016 were $37.4 billion and have been restated to $38.3 billion

The Group's share of contingent liabilities and commitments relating to joint ventures is $0.2 billion (31 December 2016: $0.2 billion).

The Group has committed to purchase aircraft for delivery in 2017 and 2018. The total purchase commitment for these orders is a $1.2 billion. Pre-delivery payments of $0.3 billion have been made to date in respect of these aircraft.

18. LEGAL AND REGULATORY MATTERS

The Group receives legal claims against it in a number of jurisdictions and is a party to regulatory matters arising in the normal course of business. Apart from the matters described below, the Group currently considers none of these claims and proceedings as material.

2012 Settlements with certain US authorities

In 2012, the Group reached settlements with certain US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Board of Governors of the Federal Reserve System (Fed), Deferred Prosecution Agreements (DPAs) with each of the Department of Justice (DOJ) and the New York County District Attorney's Office (DANY) and a Settlement Agreement with the Office of Foreign Assets Control (together, the 'Settlements'). In addition to the civil penalties totalling $667 million, the terms of these Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (Monitor). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program (SRP). The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements.

On 9 December 2014, the Group announced that the DOJ, DANY and the Group had agreed to a three-year extension of the DPAs entered into in 2012 until 10 December 2017, resulting in the subsequent retention of the Monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. The DOJ agreement acknowledged that the Group had taken a number of steps to comply with the requirements of the original DPAs and to enhance and optimise its sanctions compliance, including the implementation of more rigorous US sanctions policies and procedures, certified staff training, hiring of senior legal and financial crime compliance staff, and implementing additional measures to block payment instructions for countries subject to US sanctions laws and regulations. The Group is working closely with the authorities to make additional substantial improvements to its US sanctions programme to reach the standard required by the DPAs.

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements.

2014 Settlement with NYDFS

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies identified by the Monitor in the AML transaction surveillance system in its New York branch (the 'Branch'). The system, which is separate from the sanctions screening process, is one part of the Group's overall financial crime controls and is designed to alert the Branch to unusual transaction patterns that require further investigation on a post-transaction basis.

The settlement provisions are summarised as follows:

(i) A civil monetary penalty of $300 million

(ii) Enhancements to the transaction surveillance system at the Branch

(iii) A two-year extension to the term of the Monitor, which has been further extended until the end of 2018 pursuant to a Supplemental Consent Order dated 21 April 2017

(iv) A set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor. Those temporary remediation measures include a restriction on opening (without the prior consent of the NYDFS) a US dollar demand deposit account for any client that does not already have such an account with the Branch, a restriction on US dollar clearing services for higher risk retail business clients in Hong Kong and enhanced monitoring of certain high-risk clients in UAE. The remit of the SRP has been expanded to cover the management of these obligations.

Other ongoing reviews

The Group is cooperating with an investigation by the US authorities and the New York State Attorney General relating to possible historical violations of US sanctions laws and regulations. In contrast to the 2012 settlements, which focused on the period before the Group's 2007 decision to stop doing new business with known Iranian parties, the ongoing investigation is focused on examining the extent to which conduct and control failures permitted clients with Iranian interests to conduct transactions through Standard Chartered Bank after 2007 and the extent to which any such failures were shared with relevant US authorities in 2012.

The Financial Conduct Authority (FCA) is investigating Standard Chartered Bank's financial crime controls, looking at the effectiveness and governance of those controls within the correspondent banking business carried out by Standard Chartered Bank's London branch, particularly in relation to the business carried on with respondent banks from outside the European Economic Area, and the effectiveness and governance of those controls in one of Standard Chartered Bank's overseas branches and the oversight exercised at Group level over those controls.

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. At relevant times, certain of the Group's branches and/or subsidiaries were (and are) participants in some of those markets, in some cases submitting data to bodies that set such rates and other financial benchmarks and responding to inquiries and investigations by relevant authorities. The Group is contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continues to review its practices and processes in the light of the investigations, reviews and the industry proposals.

The Securities and Futures Commission (SFC) in Hong Kong has been investigating Standard Chartered Securities (Hong Kong) Limited's (SCSHK) role as a joint sponsor of an initial public offering of China Forestry Holdings Limited, listed on the Hong Kong Stock Exchange in 2009. In October 2016, the SFC informed the Group that it intends to commence action against SCSHK and other parties. On 16 January 2017 a writ was filed by the SFC with Hong Kong's High Court. The writ names SCSHK as one of six defendants from whom the SFC is seeking compensation for an unspecified amount of losses incurred by certain shareholders in relation to the initial public offering. There may be financial consequences for SCSHK in connection with this matter.

19. SUBORDINATED LIABILITIES AND OTHER BORROWED FUNDS

	30.06.17				
	USD $million	**GBP $million**	**Euro $million**	**Others $million**	**Total $million**
Fixed rate subordinated debt	**10,182**	**3,102**	**4,247**	**1,027**	**18,558**
Floating rate subordinated debt	**1,316**	**16**	**–**	**36**	**1,368**
Total	**11,498**	**3,118**	**4,247**	**1,063**	**19,926**

	31.12.16				
	USD $million	GBP $million	Euro $million	Others $million	Total $million
Fixed rate subordinated debt	10,132	3,010	3,979	970	18,091
Floating rate subordinated debt	1,381	15	–	36	1,432
Total	11,513	3,025	3,979	1,006	19,523

Repurchases during the period

There were no repurchases during the six months ended 30 June 2017.

Issuance during the period

There was no new issuance during the six months ended 30 June 2017. See note 23.

20. SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND RESERVES

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] $million	Share premium[2] $million	Total share capital & share premium $million	Other equity instruments $million
At 1 January 2016	3,278	1,639	5,449	7,088	1,987
Shares issued	5	2	–	2	–
Additional Tier 1 equity issuance	–	–	–	–	–
At 30 June 2016	3,283	1,641	5,449	7,090	1,987
Shares issued	1	1	–	1	–
Additional Tier 1 equity issuance	–	–	–	–	1,982
At 31 December 2016	**3,284**	**1,642**	**5,449**	**7,091**	**3,969**
Shares issued	**7**	**4**	**–**	**4**	**–**
Additional Tier 1 equity issuance	**–**	**–**	**–**	**–**	**992**
At 30 June 2017	**3,291**	**1,646**	**5,449**	**7,095**	**4,961**

1 Issued and fully paid ordinary shares of 50 cents each

2 Out of the total share premium, $1,494 million relates to preference share premium

Ordinary share capital

In accordance with the Companies Act 2006 the Company does not have authorised share capital. The nominal value of each ordinary share is 50 cents.

During the period 7,007,254 shares were issued under employee share plans at prices between nil and 557.76 pence.

Preference share capital

At 30 June 2017, the company has 15,000 $5 non-cumulative redeemable preference shares in issue, with a premium of $99,995 making a paid up amount per preference share of $100,000. The preference shares are redeemable at the option of the company and are classified in equity.

The available profits of the company are distributed to the holders of the issued preference shares in priority to payments made to holders of the ordinary shares and in priority to, or pari passu with, any payments to the holders of any other class of shares in issue. On a winding up, the assets of the Company are applied to the holders of the preference shares in priority to any payment to the ordinary shareholders and in priority to, or pari passu with, the holders of any other shares in issue, for an amount equal to any dividends accrued and/or payable and the nominal value of the shares together with any premium as determined by the board. The redeemable preference shares are redeemable at the paid up amount (which includes premium) at the option of the Company in accordance with the terms of the shares. The holders of the preference shares are not entitled to attend or vote at any general meeting except where any relevant dividend due is not paid in full or where a resolution is proposed varying the rights of the preference shares.

Other equity instruments

On 2 April 2015 Standard Chartered PLC issued $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as Additional Tier 1 (AT1) securities, raising $1,987 million after issue costs. On 18 August 2016, Standard Chartered PLC issued a further $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising $1,982 million after issue costs. On 18 January 2017, Standard Chartered PLC issued a further $1,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities, raising $992 million after issue costs. All the issuances were made for general business purposes and to increase the regulatory capital base of the Group.

- The principal terms of the AT1 securities are described below:
- The securities are perpetual and redeemable, at the option of Standard Chartered PLC in whole but not in part, on the first interest reset date and each date falling five years after the first reset date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest to (but excluding) the date fixed for redemption. Any redemption is subject to Standard Chartered PLC giving notice to the relevant regulator and the regulator granting permission to redeem
- The interest rate in respect of the securities issued on 2 April 2015 for the period from (and including) the issue date to (but excluding) 2 April 2020 is a fixed rate of 6.50 per cent per annum. The first reset date for the interest rate is 2 April 2020 and each date falling five, or an integral multiple of five years after the first reset date
- The interest rate in respect of the securities issued on 18 August 2016 for the period from (and including) the issue date to (but excluding) 2 April 2022 is a fixed rate of 7.50 per cent per annum. The first reset date for the interest rate is 2 April 2022 and each date falling five years, or an integral multiple of five years, after the first reset date
- The interest rate in respect of the securities issued on 18 January 2017 for the period from (and including) the issue date to (but excluding) 2 April 2023 is a fixed rate of 7.75 per cent per annum. The first reset date for the interest rate is 2 April 2023 and each date falling five years, or an integral multiple of five years, after the first reset date

- The interest on each of the securities will be payable semi-annually in arrears on 2 April and 2 October in each year, accounted for as a dividend
- Interest on the securities is due and payable only at the sole and absolute discretion of Standard Chartered PLC, subject to certain additional restrictions set out in the terms and conditions. Accordingly, Standard Chartered PLC may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date
- The securities convert into ordinary shares of Standard Chartered PLC, at a pre-determined price, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 572 million ordinary shares would be required to satisfy the conversion of all the securities mentioned above
- The securities rank behind the claims against Standard Chartered PLC of (a) unsubordinated creditors, (b) which are expressed to be subordinated to the claims of unsubordinated creditors of Standard Chartered PLC but not further or otherwise; or (c) which are, or are expressed to be, junior to the claims of other creditors of Standard Chartered PLC, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the AT1 securities in a winding up occurring prior to the conversion trigger

Reserves

The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed.

Merger reserve represents the premium arising on shares issued using a cash box financing structure, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of certain acquisitions, in 2008, 2010 and 2015 for the shares issued by way of a rights issue, and for the shares issued in 2009 in the placing. The funding raised by the 2008 and 2010 rights issues and 2009 share issue was fully retained within the Company. Of the 2015 funding, $1.5 billion was used to subscribe to additional equity in Standard Chartered Bank, a wholly owned subsidiary of the Company.

Own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Following the Group's decision to early apply this IFRS 9 requirement the cumulative own credit adjustment component of financial liabilities designated at fair value through profit or loss has been transferred from opening retained earnings to the OCA reserve. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings.

Available-for-sale reserve represents the unrealised fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired.

Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur.

Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations.

Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions and own shares held (treasury shares).

A substantial part of the Group's reserves are held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 30 June 2017, the distributable reserves of Standard Chartered PLC (the Company) were $15.2 billion (31 December 2016: $15.2 billion). These comprised retained earnings and $12.5 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.

The cumulative amount of goodwill on the acquisition of subsidiary and associated undertakings written off against Group reserves since 1973 is $27 million (31 December 2016: $27 million).

Own shares

Computershare Trustees (Jersey) Limited is the trustee of the 2004 Employee Benefit Trust ('2004 Trust') and Ocorian Trustees (Jersey) Limited (formerly known as Bedell Trustees Limited) is the trustee of the 1995 Employees' Share Ownership Plan Trust ('1995 Trust'). The 2004 Trust is used in conjunction with the Group's employee share schemes and the 1995 Trust is used for the delivery of other employee share-based payments (such as upfront shares and fixed pay allowances). Group companies fund these trusts from time to time to enable the trustees to acquire shares to satisfy these arrangements.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the company listed on The Stock Exchange of Hong Kong Limited during the period. Details of the shares purchased and held by the trusts are set out below.

	1995 Trust			2004 Trust			Total		
Number of shares	**30.06.17**	31.12.16	30.06.16	**30.06.17**	31.12.16	30.06.16	**30.06.17**	31.12.16	30.06.16
Shares purchased during the period	**–**	5,881,961	278,224	**–**	–	–	**–**	5,881,961	278,224
Market price of shares purchased ($ million)	**–**	49	2	**–**	–	–	**–**	49	2
Shares held at the end of the period	**3,769,011**	6,104,154	1,302,798	**34,262**	78,313	106,471	**3,803,273**	6,182,467	1,409,269
Maximum number of shares held during the period	**–**	–	–	**–**	–	–	**6,182,467**	6,183,210	5,140,070

21. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations comprise:

	30.06.17 $million	31.12.16 $million	30.06.16 $million
Total market value of assets	**2,391**	2,260	2,334
Present value of the plans liabilities	**(2,919)**	(2,755)	(2,849)
Defined benefit plans obligation	**(528)**	(495)	(515)
Defined contribution plans obligation	**(26)**	(30)	(19)
Net obligation	**(554)**	(525)	(534)

Retirement benefit charge comprises:

	6 months ended 30.06.17 $million	6 months ended 31.12.16 $million	6 months ended 30.06.16 $million
Defined benefit plans	**35**	36	49
Defined contribution plans	**121**	118	113
Charge against profit/(loss) (note 6)	**156**	154	162

The pension cost for defined benefit plans was:

Current service cost	**36**	35	40
Past service cost and curtailments	**(9)**	(4)	–
Gain on settlements	**–**	(1)	–
Interest income on pension plan assets	**(32)**	(39)	(39)
Interest on pension plan liabilities	**40**	45	48
Total charge to profit/(loss) before deduction of tax	**35**	36	49
Return on plan assets excluding interest income	**(33)**	(40)	(117)
Losses on liabilities	**62**	45	217
Total losses recognised directly in statement of comprehensive income before tax	**29**	5	100
Deferred taxation	**16**	12	(14)
Total losses after tax	**45**	17	86

22. RELATED PARTY TRANSACTIONS

Directors, connected persons or officers

As at 30 June 2017, Standard Chartered Bank had created a charge over $72 million (31 December 2016: $68 million; 30 June 2016: $73 million) of cash assets in favour of the independent trustee of its employer-financed retirement benefit scheme.

Other than as disclosed in the accounts, there were no material transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Companies Act 2006, the rules of the UK Listing Authority or the HK Listing Rules.

Associates and Joint Venture

	30.06.2017			31.12.2016		
	China Bohai Bank $million	**Clifford Capital $million**	**PT Bank Permata $million**	China Bohai Bank $million	Clifford Capital $million	PT Bank Permata $million
Assets						
Loans and advances	**–**	**50**	**98**	–	40	90
Debt securities	**–**	**27**	**–**	–	27	–
Total assets	**–**	**77**	**98**	–	67	90
Liabilities						
Deposits	**82**	**–**	**48**	7	–	29
Debt securities issued	**15**	**–**	**–**	14	–	–
Total liabilities	**97**	**–**	**48**	21	–	29
Loan commitments and other guarantees	**–**	**–**	**–**	–	10	–
Total net income[1]	**2**	**–**	**–**	2	–	–

1 Total net income for six months to 30 June 2017 and 12 months to 31 December 2016 respectively

23. POST BALANCE SHEET EVENTS

On 12 July 2017, Standard Chartered PLC exercised its right to redeem its $1.25 billion 4.0 per cent callable subordinated notes in full on the first optional call date.

24. CORPORATE GOVERNANCE

The directors confirm that, throughout the period, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Hong Kong Listing Rules and that having made specific enquiry of all directors, the directors of the Company have complied with the required standards of the adopted code of conduct throughout the period.

As previously announced, Dr Kurt Campbell stepped down from the Board as an Independent Non-Executive Director on 26 July 2017 and Dr Ngozi Okonjo-Iweala will join the Board as an Independent Non-Executive Director with effect from 1 November 2017.

Since 31 December 2016 there has been one change to the membership of a Board committee. Dr Kurt Campbell stepped down from the Brand, Values and Conduct Committee on 26 July 2017. Biographies for each of the directors and a list of the committee's membership can be found at www.sc.com.

In compliance with Rule 13.51B (1) of the Hong Kong Listing Rules, the Company confirms that Mr Om Bhatt, Independent Non-Executive Director stepped down as interim Chairman on the Board of Tata Steel Limited on 7 February 2017, he continues to serve as a Non-Executive Director on that Board. On 9 May 2017 Mr Om Bhatt joined the Board of Tata Motors Limited as an Independent Non-Executive Director; Dr Han Seung-soo, Independent Non-Executive Director stepped down from the Board of Seoul Semiconductor Inc on 28 March 2017; Mrs Christine Hodgson, Independent Non-Executive Director stepped down from the Board of Ladbrokes Coral Group PLC on 4 May 2017.

The Group disclosed in its *2016 Annual Report and Accounts* that it would be required to change its statutory auditor for the year ending 31 December 2021, at the latest, in accordance with EU legislation. The Audit Committee has decided to run the audit tender process in the second half of 2017 for a first year audit with respect to the year ending 31 December 2020.

25. STATUTORY ACCOUNTS

The information in this half year report is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. This document was approved by the Board on 2 August 2017. The statutory accounts for the year ended 31 December 2016 have been reported by the Company's auditors and delivered to the Registrar of Companies in England and Wales. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

26. IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments – The effective date of IFRS 9 is 1 January 2018. The standard has been endorsed by the EU. IFRS 9 will replace *IAS 39 Financial Instruments: Recognition and Measurement* and introduces new requirements for the classification and measurement of financial assets, a new model for recognising loan loss provisions based on expected credit losses (ECL) and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology. On initial adoption of IFRS 9, the opening re-measurements will be incorporated through an adjustment to opening reserves and retained earnings at 1 January 2018.

Update on implementation

The implementation phase of the IFRS 9 ECL models is progressing and testing has been completed for the first tranche of ECL models covering a substantial proportion of assets. The remaining models, largely covering Retail assets, will be implemented into the second half of 2017, together with the finalisation of the thresholds for determining significant increase in credit risk and the incorporation of multiple economic scenarios to account for the potential non-linearity in credit risk. The first phase of the parallel assessment commenced on 1 July 2017 and will run throughout the second half of 2017, enabling the Group to better understand the potential effect of IFRS 9 and to validate the controls and new governance and operational processes.

The Group continues to assess the impact that adoption will have on its consolidated financial statements and any consequential effects on regulatory capital. The Group will quantify the impact of IFRS 9 when it has robust and reliable estimates, which will be no later than the publication of its *2017 Annual Report and Accounts*.

In terms of the impact on regulatory capital, transitional proposals for the recognition of the opening re-measurement on initial adoption of IFRS 9 have been developed by the European Commission, which favours a modified static approach. Under this approach, the opening IFRS 9 ECL re-measurement would be spread over five years with additional relief granted if ECL provisions during the transitional period increased by more than a defined threshold. The arrangements are expected to be finalised during the second half of 2017.

Further information on the requirements of IFRS is disclosed in note 40 in the *2016 Annual Report and Accounts*.

Supplementary financial information

A. Remuneration principles

Our approach to remuneration is consistent with effective risk management and the delivery of our strategy, underpinned by:

- A competitive remuneration opportunity that enables us to attract, motivate and retain employees
- A clearly defined performance management framework that ensures employees have clear objectives and receive ongoing feedback
- Remuneration outcomes that relate to the performance of the individual, the business they work in and the Group. We aim to ensure everyone is aligned to deliver long-term sustainable growth in the interests of shareholders
- Variable remuneration that recognises the achievement, conduct, behaviours and values of each individual, ensuring reward is aligned to the Group's performance. We take into account both what is achieved and how it is achieved
- An appropriate mix of fixed and variable remuneration, with the level of fixed remuneration based on an individual's role and the business' risk profile
- Remuneration that is fair and transparent. An equal pay review is undertaken as part of the pay review process globally
- A core level of benefits that protects all of our employees and reflects the Group's commitment to employee wellbeing

The Group proposes to develop a Fair Pay Charter in 2017, once the outcomes of the UK Government's Corporate Governance proposals are finalised.

B. Group Share Plans

2011 Standard Chartered Share Plan (the '2011 Plan')

The 2011 Plan was approved by shareholders in May 2011 and is the Group's main share plan. Since approval, it has been used to deliver various types of share awards:

- Long Term Incentive Plan ('LTIP') awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return ('TSR'); return on equity ('RoE') with a common equity tier 1 ('CET1') underpin; strategic measures; earnings per share ('EPS') growth; and return on risk-weighted assets ('RoRWA'). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice
- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures
- Underpin shares are subject to a combination of two performance measures: EPS growth and return on RoRWA. The weighting between the two elements is split equally, one-half of the award depending on each measure, assessed independently. These awards vest after three or five years. Underpin shares formed part of the variable remuneration awarded to executive directors and senior management in respect of 2014 performance

Under the 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2011 Plan during which new awards can be made is four years.

2001 Performance Share Plan ('2001 PSP') – now closed to new grants
The Group's previous plan for delivering performance shares was the 2001 PSP and there remain outstanding vested awards. Under the 2001 PSP half the award was dependent upon TSR performance and the balance was subject to a target of defined EPS growth. Both measures used the same three-year period and were assessed independently.

2006 Restricted Share Scheme ('2006 RSS')/2007 Supplementary Restricted Share Scheme ('2007 SRSS')
The Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS both now replaced by the 2011 Plan. There remain outstanding vested awards under these plans. Awards were generally in the form of nil cost options and did not have any performance measures. Generally deferred restricted share awards vested equally over three years and for non-deferred awards half vested two years after the date of grant and the balance after three years. No further awards will be granted under the 2006 RSS and 2007 SRSS.

All Employee Sharesave Plans (comprised of the '2004 International Sharesave Plan', the '2004 UK Sharesave Plan' and the '2013 Sharesave Plan')
Under the All Employee Sharesave Plans, employees may open a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the All Employee Sharesave Plans and no grant price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries the Group offers an equivalent cash-based plan to its employees. The 2004 International Sharesave and the 2004 UK Sharesave plans are now closed and no further awards will be granted under these plans.

The 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is five years.

Valuation of share awards

Details of the valuation models used in determining the fair values of share awards granted under the Group's share plans are detailed in the Group's 2016 Annual Report and Accounts.

Reconciliation of share award movements for the year to 30 June 2017

	2011 Plan[1]						
	LTIP	Deferred/ Restricted shares	PSP[1]	RSS[1]	SRSS[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2017	28,740,614	24,208,988	76,977	701,603	80,299	13,291,261	6.72
Granted[2]	2,347,184	10,422,570	–	–	–	–	–
Lapsed	(5,076,897)	(860,332)	(14,821)	(96,149)	(18,741)	(2,426,221)	9.17
Exercised	(37,227)	(6,676,947)	(11,515)	(272,439)	(44,051)	(9,126)	5.57
Outstanding at 30 June 2017	25,973,674	27,094,279	50,641	333,015	17,507	10,855,914	6.17
Exercisable at 30 June 2017	88,470	5,470,559	50,641	333,015	17,507		
Range of exercise prices (£)	–	–	–	–	–	5.30-9.38	
Intrinsic value of vested but not exercised options ($ million)	0.1	4.1	0.1	0.2	0.0	0.0	
Weighted average contractual remaining life (years)	8.78	8.53	1.59	0.65	0.26	2.07	
Weighted average share price for options exercised during the period (£)	7.34	7.38	7.28	7.38	7.40	7.53	

1 Employees do not contribute towards the cost of these awards

2 10,055,740 (DRSA/RSA) & 2,347,184 (LTIP) granted on 13 March 2017 and 366,830 (DRSA/RSA) granted on 15 June 2017

C. Group Chairman and independent non-executive directors' interests in ordinary shares as at 30 June 2017

	Shares beneficially held as at 1 January 2017[2,3,4]	**Shares beneficially held as at 30 June 2017[2,3,4]**
Chairman		
J Viñals	2,000	8,500
Current independent non-executive directors		
N Kheraj	2,571	2,571
O P Bhatt	2,000	2,000
Dr K M Campbell[1]	–	–
Dr L Cheung	2,571	2,571
Mr D P Conner	10,000	10,000
Dr B E Grote	37,041	37,041
Dr Han Seung-soo, KBE	3,474	3,474
C M Hodgson	2,571	2,571
G Huey Evans, OBE	2,571	2,571
J M Whitbread	2,571	2,571

1 Independent non-executive directors are required to hold shares with a nominal value of $1,000. All the directors, other than Dr Kurt Campbell, have met this requirement. Shareholders approved a resolution to disapply the shareholding qualification in relation to Dr Kurt Campbell at the Company's Annual General Meeting in May 2014. This was in connection with the terms of the then proposed appointment of Dr Kurt Campbell's wife to the Board of Governors of the United States Federal Reserve System

2 No director had either (i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group or (ii) any corporate interests in the Company's ordinary shares

3 The beneficial interests of directors and their related parties in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares

4 No director has vested or unvested share awards as at 30 June 2017

D. Executive directors' interests in ordinary shares as at 30 June 2017

Scheme interests awarded, exercised and lapsed during the period

The following table shows the changes in share interests. Employees, including executive directors, are not permitted to engage in any personal hedging strategies with regards to their Standard Chartered PLC shares, including hedging against the share price of Standard Chartered PLC shares.

	Changes in interests during the period 1 January to 30 June 2017							
	As at 1 January	Awarded[1]	Dividends awarded[2]	Exercised[3]	Lapsed	As at 30 June	Performance period end	Vesting date
W T Winters[4]								
Restricted shares (buy-out)	314,822	–	–	–	–	314,822	–	22 Sep 2017
	314,822	–	–	–	–	314,822	–	22 Sep 2018
	314,916	–	–	–	–	314,916	–	22 Sep 2019
LTIP 2016-18	496,390	–	–	–	–	496,390	31 Dec 2018	4 May 2019
	124,097	–	–	–	–	124,097	31 Dec 2018	4 May 2020
	124,097	–	–	–	–	124,097	31 Dec 2018	4 May 2021
	124,097	–	–	–	–	124,097	31 Dec 2018	4 May 2022
	124,100	–	–	–	–	124,100	31 Dec 2018	4 May 2023
LTIP 2017-19	–	118,550		–	–	118,550	31 Dec 2019	13 March 2020
	–	118,550		–	–	118,550	31 Dec 2019	13 March 2021
	–	118,550		–	–	118,550	31 Dec 2019	13 March 2022
	–	118,550		–	–	118,550	31 Dec 2019	13 March 2023
	–	118,551		–	–	118,551	31 Dec 2019	13 March 2024
A N Halford								
LTIP 2014-16[5]	135,054	–	–	–	135,054	–	31 Dec 2016	18 Jun 2017
LTIP 2015-17[5]	28,529	–	–	–	–	28,529	31 Dec 2017	19 Mar 2018
LTIP 2016-18[6]	296,417	–	–	–	–	296,417	31 Dec 2018	4 May 2019
	74,104	–	–	–	–	74,104	31 Dec 2018	4 May 2020
	74,104	–	–	–	–	74,104	31 Dec 2018	4 May 2021
	74,104	–	–	–	–	74,104	31 Dec 2018	4 May 2022
	74,105	–	–	–	–	74,105	31 Dec 2018	4 May 2023
LTIP 2017-19[6]	–	73,390	–	–	–	73,390	31 Dec 2019	13 March 2020
	–	73,390	–	–	–	73,390	31 Dec 2019	13 March 2021
	–	73,390	–	–	–	73,390	31 Dec 2019	13 March 2022
	–	73,390	–	–	–	73,390	31 Dec 2019	13 March 2023
	–	73,394	–	–	–	73,394	31 Dec 2019	13 March 2024
Deferred shares 2014[5]	12,932	–	136	13,068	–	–	–	19 Mar 2017
	12,936	–	–	–	–	12,936	–	19 Mar 2018
Underpin shares 2015-17[5]	14,264	–	–	–	–	14,264	31 Dec 2017	19 Mar 2018
	14,264	–	–	–	–	14,264	31 Dec 2019	19 Mar 2020
Sharesave[7]	1,612	–	–	–	–	1,612	–	1 Dec 2018

1 For the LTIP 2017-19 awards granted to Bill Winters and Andy Halford on 13 March 2017, the share price at grant was £7.45 and the face values were as follows: Bill Winters: £4.416 million; Andy Halford: £2.734 million. Performance measures apply to LTIP 2017-19. The share price at grant was calculated as the higher of the five-day average closing price and the closing price on the day before the grant date

2 Dividend equivalent shares may be awarded on vesting

3 On 20 March 2017, Andy Halford exercised deferred share awards over a total of 13,068 shares. The closing share price on the day before exercise was £7.304

4 The unvested share awards held by Bill Winters are conditional rights under the 2011 Plan. Bill does not have to pay towards these awards

5 The LTIP 2014-16, LTIP 2015-17, deferred shares 2014 and underpin shares 2015-17 held by Andy Halford are nil cost options under the 2011 Plan

6 The LTIP 2016-18 and LTIP 2017-19 held by Andy Halford are conditional rights under the 2011 Plan. Andy does not have to pay towards these awards

7 The Sharesave option held by Andy Halford is under the 2013 Sharesave Plan at an exercise price of GBP 5.5776 per share

Further details relating to the above awards and individual shareholding requirements can be found in the 2016 Annual Report and Accounts. LTIP awards may be subject to notional dividend adjustments at the date of vesting.

Shareholdings and share interests
The following table summarises the executive directors' shareholdings and share interests.[1]

	Shareholdings		Share awards	
	Shares held beneficially[2,3]	Vested but unexercised share awards	Unvested share awards not subject to performance measures	Unvested share awards subject to performance measures
W T Winters	530,349	–	944,560	1,585,532
A N Halford	396,807	–	14,548	1,016,845

1 All figures are as at 30 June 2017 unless stated otherwise. No director had either (i) an interest in Standard Chartered PLC's preference shares or loan stocks of any subsidiary or associated undertaking of the Group or (ii) any corporate interests in Standard Chartered PLC's ordinary shares

2 The beneficial interests of directors and connected persons in the ordinary shares of the Company are set out above. The executive directors do not have any non-beneficial interests in the Company's shares. None of the executive directors used ordinary shares as collateral for any loans

3 The shares held beneficially include shares awarded to deliver the executive directors' fixed pay allowance

E. Share price information
The middle market price of an ordinary share at the close of business on 30 June 2017 was 777.20 pence. The share price range during the first half of 2017 was 677.80 pence to 817.90 pence (based on the closing middle market prices).

F. Substantial shareholders
The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO).

As a result of this exemption, shareholders no longer have an obligation under Part XV of the SFO (other than Divisions 5,11 and 12 thereof) to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

G. Code for Financial Reporting Disclosure
The British Bankers' Association Code for Financial Reporting Disclosure sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited. The Group's interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with the Code's principles.

Analysis of underlying performance of Retail and Commercial Banking client segments
The following tables provide further information for the Retail and Commercial Banking client segments. The numbers are prepared on a management view. Refer to note 2 for details.

Analysis of underlying performance of Retail Banking
Underlying performance

	6 months ended 30.06.17					H1 2017 vs H2 2016	H1 2017 vs H1 2016
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Better/(worse) %	Better/(worse) %
Operating income	1,335	635	410	16	2,396	2	3
Operating expenses	(885)	(514)	(314)	(10)	(1,723)	3	(5)
Loan impairment	(55)	(77)	(40)	–	(172)	30	29
Underlying profit before taxation	395	44	56	6	501	50	16
Statutory profit before taxation	394	47	58	6	505	75	17
Loans and advances to customers	65,249	26,823	6,028	391	98,491	5	3
Customer accounts	83,937	29,564	9,071	1,204	123,776	5	7
Risk weighted assets	21,567	14,685	6,417	266	42,935	2	(3)
Underlying return on risk weighted assets					2.4%		

	6 months ended 31.12.16				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	1,259	677	400	17	2,353
Operating expenses	(898)	(546)	(316)	(10)	(1,770)
Loan impairment	(92)	(108)	(47)	–	(247)
Other impairment	–	–	(1)	–	(1)
Underlying profit before taxation	269	23	36	7	335
Statutory profit before taxation	242	20	20	6	288
Loans and advances to customers	62,261	25,001	5,912	314	93,488
Customer accounts	79,627	27,892	8,606	1,230	117,355
Risk weighted assets	21,205	14,327	6,423	208	42,163
Underlying return on risk weighted assets					1.5%

	6 months ended 30.06.16				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	1,186	704	409	17	2,316
Operating expenses	(816)	(508)	(307)	(12)	(1,643)
Loan impairment	(88)	(114)	(40)	–	(242)
Other impairment	–	–	–	–	–
Underlying profit before taxation	282	82	62	5	431
Statutory profit before taxation	282	82	62	5	431
Loans and advances to customers	61,107	27,801	6,039	299	95,246
Customer accounts	76,281	29,192	8,550	1,249	115,272
Risk weighted assets	21,927	15,495	6,625	200	44,247
Underlying return on risk weighted assets					1.9%

Analysis of underlying performance of Commercial Banking

Underlying performance

	6 months ended 30.06.17				H1 2017 vs H2 2016	H1 2017 vs H1 2016
	Greater China & North Asia $million	**ASEAN & South Asia $million**	**Africa & Middle East $million**	**Total $million**	Better/(worse) %	Better/(worse) %
Operating income	**264**	**242**	**154**	**660**	5	(1)
Operating expenses	**(193)**	**(144)**	**(90)**	**(427)**	13	2
Loan impairment	**(20)**	**(13)**	**(9)**	**(42)**	83	83
Other impairment	**(3)**	**–**	**–**	**(3)**	nm	nm
Underlying profit before taxation	**48**	**85**	**55**	**188**	274	1,667
Statutory profit before taxation	**45**	**83**	**54**	**182**	236	1,617
Loans and advances to customers	**13,355**	**9,104**	**4,339**	**26,798**	12	3
Customer accounts	**19,645**	**9,116**	**3,325**	**32,086**	(1)	8
Risk weighted assets	**11,253**	**13,267**	**7,805**	**32,325**	1	(6)
Underlying return on risk weighted assets				**1.2%**		

	6 months ended 31.12.16			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	261	237	130	628
Operating expenses	(236)	(144)	(113)	(493)
Loan impairment	(14)	(83)	(147)	(244)
Other impairment	2	(1)	–	1
Underlying profit/(loss) before taxation	13	9	(130)	(108)
Statutory profit/(loss) before taxation	6	(6)	(134)	(134)
Loans and advances to customers	11,925	8,306	3,782	24,013
Customer accounts	20,107	8,699	3,764	32,570
Risk weighted assets	11,346	13,301	7,291	31,938
Underlying return on risk weighted assets				(0.7%)

	6 months ended 30.06.16			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	261	241	165	667
Operating expenses	(191)	(136)	(109)	(436)
Loan impairment	(100)	(75)	(72)	(247)
Other impairment	–	4	–	4
Underlying (loss)/profit before taxation	(30)	34	(16)	(12)
Statutory (loss)/profit before taxation	(30)	34	(16)	(12)
Loans and advances to customers	12,627	8,859	4,576	26,062
Customer accounts	18,808	7,823	3,176	29,807
Risk weighted assets	12,733	13,761	8,048	34,542
Underlying return on risk weighted assets				(0.1%)

Analysis of underlying performance by key country

The following tables provide information for key countries in which the Group operates.

	6 months ended 30.06.17							
	Hong Kong $million	**Korea $million**	**China $million**	**Singapore $million**	**India $million**	**UAE $million**	**UK $million**	**US $million**
Operating income	**1,670**	**503**	**341**	**733**	**561**	**377**	**400**	**342**
Operating expenses	**(906)**	**(366)**	**(311)**	**(481)**	**(305)**	**(256)**	**(285)**	**(325)**
Operating profit before impairment losses and taxation	**764**	**137**	**30**	**252**	**256**	**121**	**115**	**17**
Impairment losses on loans and advances and other credit risk provisions	**(51)**	**5**	**(8)**	**(101)**	**(143)**	**(33)**	**(1)**	**(61)**
Other impairment	**(51)**	**(3)**	**–**	**–**	**(3)**	**–**	**–**	**–**
Profit from associates and joint ventures	**–**	**–**	**123**	**–**	**–**	**–**	**–**	**–**
Underlying profit/(loss) before taxation	**662**	**139**	**145**	**151**	**110**	**88**	**114**	**(44)**
Total assets employed	**140,865**	**45,754**	**28,977**	**85,902**	**27,835**	**19,906**	**113,672**	**42,455**
Of which: Loans to customers	**65,950**	**31,186**	**11,964**	**43,071**	**15,740**	**11,076**	**29,527**	**9,829**
Total liabilities employed	**126,456**	**39,654**	**25,034**	**84,745**	**18,625**	**14,572**	**110,911**	**62,008**
Of which: Customer accounts	**104,577**	**31,142**	**20,011**	**59,807**	**14,064**	**11,207**	**56,809**	**38,109**
Capital expenditure	**778**	**4**	**14**	**240**	**10**	**3**	**6**	**–**

	6 months ended 31.12.16							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Operating income	1,598	445	357	718	492	353	431	315
Operating expenses	(963)	(408)	(336)	(528)	(300)	(263)	(246)	(307)
Operating profit before impairment losses and taxation	635	37	21	190	192	90	185	8
Impairment losses on loans and advances and other credit risk provisions	(58)	(47)	(66)	(40)	(190)	(159)	(367)	(20)
Other impairment	(9)	(2)	–	–	(1)	–	1	–
Profit from associates and joint ventures	–	–	65	–	–	–	–	–
Underlying profit/(loss) before taxation	568	(12)	20	150	1	(69)	(181)	(12)
Total assets employed	137,239	43,917	26,540	83,853	24,729	20,776	122,779	47,609
Of which: Loans to customers	60,866	28,637	10,182	39,141	14,974	10,951	29,996	12,184
Total liabilities employed	125,697	37,548	24,460	85,198	15,321	14,622	119,111	53,356
Of which: Customer accounts	102,409	28,964	19,920	57,290	11,860	10,721	57,575	27,464
Capital expenditure	528	17	16	377	12	2	47	2

	6 months ended 30.06.16							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Operating income	1,540	436	339	771	468	401	360	346
Operating expenses	(826)	(353)	(311)	(439)	(269)	(250)	(250)	(351)
Operating profit before impairment losses and taxation	714	83	28	332	199	151	110	(5)
Impairment losses on loans and advances and other credit risk provisions	(136)	(36)	(42)	(66)	(224)	(113)	(44)	(59)
Other impairment	(35)	–	–	–	–	–	–	–
Profit from associates and joint ventures	–	–	102	–	–	–	–	–
Underlying profit/(loss) before taxation	543	47	88	266	(25)	38	66	(64)
Total assets employed	135,832	44,969	28,536	86,643	25,067	22,138	130,791	52,984
Of which: Loans to customers	61,258	27,966	11,156	43,389	15,866	11,810	29,202	12,119
Total liabilities employed	121,674	39,101	24,444	86,855	15,193	14,585	131,767	47,615
Of which: Customer accounts	97,647	28,635	19,872	57,197	11,453	10,745	63,562	17,253
Capital expenditure	512	8	5	171	9	1	28	–

Analysis of operating income by product and segment

The following tables provide a breakdown of the Group's underlying operating income by product and client segment.

	6 months ended 30.06.17					
	Total $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million
Transaction Banking	1,597	1,228	8	361	–	–
Trade	593	392	8	193	–	–
Cash Management and Custody	1,004	836	–	168	–	–
Financial Markets	1,189	1,058	–	131	–	–
Foreign Exchange	497	412	–	85	–	–
Rates	289	271	–	18	–	–
Commodities	80	69	–	11	–	–
Credit and Capital Markets	201	197	–	4	–	–
Other Financial Markets	122	109	–	13	–	–
Corporate Finance	918	862	–	56	–	–
Wealth Management	856	–	710	2	144	–
Retail Products	1,776	–	1,675	3	98	–
CCPL and other unsecured lending	684	–	684	–	–	–
Deposits	709	–	623	3	83	–
Mortgage and Auto	349	–	334	–	15	–
Other Retail Products	34	–	34	–	–	–
Asset and Liability Management	310	–	–	–	–	310
Lending and Portfolio Management	180	73	–	107	–	–
Other	396	(3)	3	–	–	396
Total underlying operating income	7,222	3,218	2,396	660	242	706

	6 months ended 31.12.16					
	Total $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million
Transaction Banking	1,466	1,107	6	352	1	–
Trade	595	395	6	193	1	–
Cash Management and Custody	871	712	–	159	–	–
Financial Markets	1,390	1,274	–	116	–	–
Foreign Exchange	521	445	–	76	–	–
Rates	334	324	–	10	–	–
Commodities	112	101	–	11	–	–
Credit and Capital Markets	209	205	–	4	–	–
Other Financial Markets	214	199	–	15	–	–
Corporate Finance	953	905	–	48	–	–
Wealth Management	764	–	626	3	135	–
Retail Products	1,825	–	1,721	2	102	–
CCPL and other unsecured lending	764	–	763	–	1	–
Deposits	659	–	572	2	85	–
Mortgage and Auto	363	–	347	–	16	–
Other Retail Products	39	–	39	–	–	–
Asset and Liability Management	91	–	–	–	–	91
Lending and Portfolio Management	196	91	–	105	–	–
Principal Finance	(50)	(52)	–	2	–	–
Other	363	–	–	–	(3)	366
Total underlying operating income	6,998	3,325	2,353	628	235	457

	6 months ended 30.06.16					
	Total $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million
Transaction Banking	1,418	1,061	6	351	–	–
Trade	604	392	6	206	–	–
Cash Management and Custody	814	669	–	145	–	–
Financial Markets	1,339	1,212	–	127	–	–
Foreign Exchange	629	528	–	101	–	–
Rates	343	335	–	8	–	–
Commodities	78	67	–	11	–	–
Credit and Capital Markets	155	154	–	1	–	–
Other Financial Markets	134	128	–	6	–	–
Corporate Finance	944	896	–	48	–	–
Wealth Management	719	–	573	1	145	–
Retail Products	1,833	–	1,737	5	91	–
CCPL and other unsecured lending	793	–	793	–	–	–
Deposits	628	–	552	5	71	–
Mortgage and Auto	376	–	356	–	20	–
Other Retail Products	36	–	36	–	–	–
Asset and Liability Management	217	–	–	–	–	217
Lending and Portfolio Management	280	145	–	135	–	–
Principal Finance	(167)	(167)	–	–	–	–
Other	227	–	–	–	25	202
Total underlying operating income	6,810	3,147	2,316	667	261	419

Convenience translation of selected financial statements into Indian rupees

In compliance with clause 37(3) of Indian Depository Receipts Listing agreement, the Consolidated financial statements are presented in Indian rupees (INR) using a US dollar/Indian rupee exchange rate of 64.7379 as at 30 June 2017 as published by Reserve Bank of India. Amounts have been translated using the said exchange rate including totals and sub-totals and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Condensed consolidated interim income statement (translated to INR)

For the six months ended 30 June 2017

	6 months ended 30.06.17 Rs. million	6 months ended 31.12.16 Rs. million	6 months ended 30.06.16 Rs. million
Interest income	**439,247**	416,977	425,263
Interest expense	**(182,496)**	(170,843)	(166,830)
Net interest income	**256,751**	246,134	258,434
Fees and commission income	**128,246**	121,837	115,816
Fees and commission expense	**(16,055)**	(14,825)	(13,660)
Net fees and commission income	**112,191**	107,012	102,156
Net trading income	**62,990**	70,176	51,920[1]
Other operating income	**35,541**	33,405	40,979
Non-interest income	**210,722**	210,592	195,055
Operating income	**467,473**	456,726	453,489
Staff costs	**(211,240)**	(217,843)	(190,200)
Premises costs	**(24,989)**	(26,348)	(25,248)
General administrative expenses	**(54,121)**	(97,366)	(56,192)
Depreciation and amortisation	**(24,924)**	(25,313)	(22,529)
Operating expenses	**(315,274)**	(366,870)	(294,169)
Operating profit before impairment losses and taxation	**152,199**	89,856	159,320
Impairment losses on loans and advances and other credit risk provisions	**(42,403)**	(96,783)	(83,900)
Other impairment			
Goodwill	**–**	(10,746)	–
Other	**(6,021)**	(14,048)	(14,825)
Profit/(loss) from associates and joint ventures	**9,775**	(4,143)	1,748
Profit/(loss) before taxation	**113,550**	(35,865)	62,343
Taxation	**(35,476)**	(16,961)	(21,881)[1]
Profit/(loss) for the period	**78,074**	(52,826)	40,461
Profit/(loss) attributable to:			
Non-controlling interests	**647**	712	2,913
Parent company shareholders	**77,427**	(53,538)	37,548
Profit/(loss) for the period	**78,074**	(52,826)	40,461
	Rupees	Rupees	Rupees
Earnings per share:			
Basic earnings/(loss) per ordinary share	**19.1**	(18.6)	9.2[1]
Diluted earnings/(loss) per ordinary share	**18.9**	(18.6)	9.1[1]

There has been no dividend declared during the current and comparative reporting periods on ordinary shares.

1 The Group has early adopted *IFRS 9 Financial Instruments* to present own credit adjustments within other comprehensive income, refer to note 1

Condensed consolidated interim statement of comprehensive income (translated to INR)
For the six months ended 30 June 2017

	6 months ended 30.06.17 Rs. million	6 months ended 31.12.16 Rs. million	6 months ended 30.06.16 Rs. million
Profit/(loss) for the period	**78,074**	(52,826)	40,461[1]
Other comprehensive income/(loss)			
Items that will not be reclassified to Income statement:	**(22,075)**	(18,710)	(10,100)
Own credit losses on financial liabilities designated at fair value through profit or loss	**(20,069)**	(19,551)	(4,532)[1]
Actuarial losses on retirement benefit obligations	**(1,877)**	(324)	(6,474)
Taxation relating to components of other comprehensive income	**(129)**	1,165	906
Items that may be reclassified subsequently to Income statement:	**64,932**	(60,205)	(2,462)
Exchange differences on translation of foreign operations:			
Net gains/(losses) taken to equity	**57,746**	(58,005)	5,114
Net (losses)/gains on net investment hedges	**(7,186)**	3,755	(1,813)
Share of other comprehensive loss from associates and joint ventures	**(971)**	(388)	(324)
Available-for-sale investments:			
Net valuation gains taken to equity	**20,392**	–	3,107
Reclassified to income statement	**(6,603)**	(1,618)	(10,552)
Cash flow hedges:			
Net gains/(losses) taken to equity	**2,072**	(7,963)	2,848
Reclassified to income statement	**–**	2,719	971
Taxation relating to components of other comprehensive income	**(518)**	1,295	(1,813)
Other comprehensive income/(loss) for the period, net of taxation	**42,856**	(78,916)	(12,559)
Total comprehensive profit/(loss) for the period	**120,930**	(131,742)	27,902
Total comprehensive income/(loss) attributable to:			
Non-controlling interests	**841**	324	2,590
Parent company shareholders	**120,089**	(132,066)	25,312
	120,930	(131,742)	27,902

1 The Group has early adopted *IFRS 9 Financial Instruments* to present own credit adjustments within other comprehensive income, refer to note 1

Consolidated balance sheet (translated to INR)
As at 30 June 2017

	30.06.17 Rs. million	31.12.16 Rs. million
Assets		
Cash and balances at central banks	**4,979,769**	4,577,358
Financial assets held at fair value through profit or loss	**1,663,311**	1,299,743
Derivative financial instruments	**3,097,191**	4,240,915
Loans and advances to banks	**4,972,259**	4,700,554
Loans and advances to customers	**17,190,437**	16,360,497
Investment securities	**7,119,810**	7,054,618
Other assets	**2,234,105**	2,391,418
Current tax assets	**29,456**	30,686
Prepayments and accrued income	**147,214**	144,883
Interests in associates and joint ventures	**139,510**	124,879
Goodwill and intangible assets	**325,891**	305,498
Property, plant and equipment	**493,044**	469,479
Deferred tax assets	**92,381**	83,771
Assets classified as held for sale	**89,727**	81,181
Total assets	**42,574,105**	41,865,480
Liabilities		
Deposits by banks	**2,477,131**	2,388,440
Customer accounts	**25,386,255**	24,073,112
Financial liabilities held at fair value through profit or loss	**1,131,942**	1,074,520
Derivative financial instruments	**3,194,945**	4,254,057
Debt securities in issue	**2,997,365**	3,023,260
Other liabilities	**2,303,892**	2,145,802
Current tax liabilities	**28,938**	21,169
Accruals and deferred income	**316,115**	338,126
Subordinated liabilities and other borrowed funds	**1,289,967**	1,263,878
Deferred tax liabilities	**26,413**	22,852
Provisions for liabilities and charges	**11,588**	13,789
Retirement benefit obligations	**35,865**	33,987
Liabilities included in disposal groups held for sale	**48,618**	62,472
Total liabilities	**39,249,034**	38,715,465
Equity		
Share capital and share premium account	**459,315**	459,056
Other reserves	**791,680**	746,040
Retained earnings	**1,733,098**	1,667,195
Total parent company shareholders' equity	**2,984,093**	2,872,291
Other equity instruments	**321,165**	256,945
Total equity excluding non-controlling interests	**3,305,257**	3,129,236
Non-controlling interests	**19,810**	20,781
Total equity	**3,325,067**	3,150,017
Total equity and liabilities	**42,574,105**	41,865,480

Condensed consolidated interim statement of changes in equity (translated to INR)

For the six months ended 30 June 2017

	Share capital and share premium account Rs. million	Capital and merger reserves[1] Rs. million	Own credit adjust-ment reserve Rs. million	Available-for-sale reserve Rs. million	Cash flow hedge reserve Rs. million	Trans-lation reserve Rs. million	Retained earnings Rs. million	Parent company share-holders' equity Rs. million	Other equity instru-ments Rs. million	Non-controlling interests Rs. million	Total Rs. million
At 1 January 2016	458,862	1,108,442	–	8,545	(2,978)	(325,373)	1,743,651	2,991,149	128,634	20,781	3,140,564
Transfer of own credit adjustment, net of taxation[5]	–	–	40,850	–	–	–	(40,850)	–	–	–	–
Profit for the period	–	–	–	–	–	–	37,548[5]	37,548	–	2,913	40,461
Other comprehensive (loss)/income	–	–	(4,596)[5]	(7,186)	1,877	3,561	(5,891)[2]	(12,235)	–	(324)	(12,559)
Distributions	–	–	–	–	–	–	–	–	–	(1,942)	(1,942)
Shares issued, net of expenses	129	453	–	–	–	–	–	583	–	–	583
Net own shares adjustment	–	–	–	–	–	–	65	65	–	–	65
Share option expense, net of taxation	–	–	–	–	–	–	1,554	1,554	–	–	1,554
Dividends, net of scrip[3]	–	–	–	–	–	–	(7,445)	(7,445)	–	–	(7,445)
Other movements[4]	–	–	–	–	–	–	–	–	–	(712)	(712)
At 30 June 2016	458,991	1,108,895	36,254	1,359	(1,101)	(321,812)	1,728,632	3,011,217	128,634	20,716	3,160,567
(Loss)/profit for the period	–	–	–	–	–	–	(53,538)	(53,538)	–	712	(52,826)
Other comprehensive loss	–	–	(17,544)	(1,618)	(4,402)	(53,991)	(971)[2]	(78,528)	–	(388)	(78,916)
Distributions	–	–	–	–	–	–	–	–	–	(453)	(453)
Shares issued, net of expenses	65	–	–	–	–	–	–	65	–	–	65
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	128,311	–	128,311
Net own shares adjustment	–	–	–	–	–	–	(3,043)	(3,043)	–	–	(3,043)
Share option expense, net of taxation	–	–	–	–	–	–	3,625	3,625	–	–	3,625
Dividends, net of scrip[3]	–	–	–	–	–	–	(7,510)	(7,510)	–	–	(7,510)
Other movements[4]	–	–	–	–	–	–	–	–	–	194	194
As at 31 December 2016	**459,055**	**1,108,895**	**18,710**	**(259)**	**(5,503)**	**(375,804)**	**1,667,196**	**2,872,292**	**256,945**	**20,781**	**3,150,018**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**77,427**	**77,427**	**–**	**647**	**78,074**
Other comprehensive (loss)/income	**–**	**–**	**(19,162)**	**12,430**	**1,813**	**50,560**	**(2,978)**[2]	**42,662**	**–**	**194**	**42,857**
Distributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,366)**	**(3,366)**
Shares issued, net of expenses	**259**	**–**	**–**	**–**	**–**	**–**	**–**	**259**	**–**	**–**	**259**
Other equity instruments issued, net of expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64,220**	**–**	**64,220**
Net own shares adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**518**	**518**	**–**	**–**	**518**
Share option expense, net of taxation	**–**	**–**	**–**	**–**	**–**	**–**	**4,402**	**4,402**	**–**	**–**	**4,402**
Dividends, net of scrip[3]	**–**	**–**	**–**	**–**	**–**	**–**	**(14,566)**	**(14,566)**	**–**	**–**	**(14,566)**
Other movements[6]	**–**	**–**	**–**	**–**	**–**	**–**	**1,101**	**1,101**	**–**	**1,554**	**2,654**
As at 30 June 2017	**459,315**	**1,108,895**	**(453)**	**12,171**	**(3,690)**	**(325,244)**	**1,733,099**	**2,984,095**	**321,165**	**19,810**	**3,325,070**

1 Includes capital reserve of Rs.324 million, capital redemption reserve of Rs.842 million and merger reserve of Rs.1,107,730 million

2 Comprises actuarial loss, net of taxation, and share from associates and joint ventures of Rs.2,978 million (30 June 2016: Rs.5,891 million and 31 December 2016: Rs.971 million)

3 Comprises dividends paid on preference shares classified as equity and Additional Tier 1 securities Rs.14,566 million (30 June 2016: Rs.7,445 million and 31 December 2016: Rs.7,510 million)

4 Mainly due to completion of sale of businesses with non-controlling interest in Pakistan and issuance of shares to non-controlling interest in Angola

5 The Group has early adopted IFRS 9 Financial Instruments to present own credit adjustments within other comprehensive income, refer to note 1

6 Mainly due to the additional share capital issued including the premium by Nepal to its non-controlling interests of Rs.1,877 and Rs.777 million with respect to an acquisition during the first half of 2017

Condensed consolidated interim cash flow statement (translated to INR)
For the six months ended 30 June 2017

	6 months ended 30.06.17 Rs. million	6 months ended 31.12.16 Rs. million	6 months ended 30.06.16 $million
Cash flows from operating activities			
Profit/(loss) before taxation	**113,550**	(35,865)	62,343
Adjustments for non-cash items and other adjustments included within income statement	**66,939**	165,988	132,777
Change in operating assets	**(449,993)**	774,136	(1,310,554)
Change in operating liabilities	**156,342**	(485,987)	1,332,759
Contributions to defined benefit schemes	**(3,237)**	(3,431)	(2,913)
UK and overseas taxes paid	**(29,715)**	(40,979)	(42,339)
Net cash (used in)/from operating activities	**(146,113)**	373,861	172,073
Cash flows from investing activities			
Purchase of property, plant and equipment	**(3,690)**	(9,063)	(3,561)
Disposal of property, plant and equipment	**1,748**	518	971
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	**(2,848)**	(3,561)	(11,847)
Dividends received from associates and joint ventures	**65**	129	65
Disposal of subsidiaries	**1,554**	40,591	583
Purchase of investment securities	**(8,631,634)**	(7,326,712)	(6,091,772)
Disposal and maturity of investment securities	**8,742,659**	7,290,264	6,360,175
Net cash from/(used in) investing activities	**107,853**	(7,833)	254,614
Cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses	**259**	65	583
Exercise of share options	**518**	129	194
Purchase of own shares	**–**	(3,172)	(129)
Issue of Additional Tier 1 capital, net of expenses	**64,220**	128,311	–
Gross proceeds from issue of subordinated liabilities	**–**	80,922	–
Interest paid on subordinated liabilities	**(16,638)**	(32,757)	(26,801)
Repayment of subordinated liabilities	**–**	(50,625)	(121,966)
Proceeds from issue of senior debts	**16,897**	145,919	207,097
Repayment of senior debts	**(76,714)**	(92,381)	(326,473)
Interest paid on senior debts	**(22,529)**	(12,948)	(16,443)
Investment in/(repayment from) non-controlling interests	**1,554**	(583)	65
Dividends paid to non-controlling interests and preference shareholders, net of scrip	**(17,932)**	(7,963)	(9,387)
Net cash (used in)/from financing activities	**(50,365)**	154,918	(293,263)
Net (decrease)/increase in cash and cash equivalents	**(88,625)**	520,946	133,425
Cash and cash equivalents at beginning of the period	**6,278,087**	5,966,569	5,724,643
Effect of exchange rate movements on cash and cash equivalents	**193,437**	(209,427)	108,501
Cash and cash equivalents at end of the period	**6,382,898**	6,278,087	5,966,569

Summary of significant differences between Indian GAAP and IFRS
The condensed consolidated financial statements of the Group for the period ended 30 June 2017 with comparatives as at 31 December 2016 and 30 June 2016 are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

IFRS differs in certain significant respects from Indian Generally Accepted Accounting Principles (GAAP). Such differences involve methods for measuring the amounts shown in the financial statements of the Group, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on loss attributable to parent company shareholders for the periods ended 30 June 2017, 31 December 2016 and 30 June 2016 and total parent company shareholders' equity as at the same dates. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for years ended on or prior to 30 June 2017. The Group has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Group undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below. Accordingly, the Group does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Group. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP. In addition, no attempt has been made to identify all differences between IFRS and Indian GAAP that may affect the financial statements as a result of transaction or events that may occur in the future.

In making an investment decision, potential investors should consult their own professional advisors for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial results of the Group. The summary does not purport to be complete and is subject and qualified in its entirety by reference to the pronouncements of the International Accounting Standards Board (IASB), together with the pronouncements of the Indian accounting profession.

Changes in accounting policy
IFRS (IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)
Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

Indian GAAP (AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies)
The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact disclosed.

Where a change in accounting policy has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable, this fact should be indicated.

Functional and presentation currency
IFRS (IAS 21 The Effects of Changes in Foreign Exchange Rates)
An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.

Assets and liabilities are translated at the closing rate at the date of that statement of financial position. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group is US dollars.

Indian GAAP (AS 11 The Effects of Changes in Foreign Exchange Rates)
There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Indian rupees.

A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

At each balance sheet date:

1. foreign currency monetary items should be reported using the closing rate
2. non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction; and
3. non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined

Consolidation
IFRS (IFRS 10 Consolidated Financial Statements)
Entities are consolidated when the Group controls an entity. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. This also includes entities where control is not derived through voting rights such as structured entities.

Indian GAAP (AS 21 Consolidated Financial Statements)
Guidance is based on the power through the ability to govern the financial and operating policies of an entity so as to obtain benefits while not taking into consideration potential voting rights.

No specific guidance is given by Indian GAAP on consolidation of Structured Entities.

Business combinations
IFRS (IFRS 3 Business Combinations)
All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values.

Pooling of interest method is prohibited.

For acquisitions occurring on or after 1 January 2004, *IFRS 3 Business Combinations* requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and if considered to have a finite life, amortised through the income statement over an appropriate period.

Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill. After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement. Where less than 100 per cent of an entity is acquired, non-controlling interests are stated at their proportion of the fair value of the identifiable net assets and contingent liabilities acquired.

Indian GAAP (AS 14 Accounting for Amalgamations)
Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation or whether it is an acquisition of a business. For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.

For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.

Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition. Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation. Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

Goodwill
IFRS (IFRS 3 Business Combinations and IAS 38 Intangible Assets)
IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

Indian GAAP (AS 14 Accounting for Amalgamations and AS 26 Intangible Assets)
Goodwill arising for amalgamations is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified. For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance. In practice, there is either no amortisation or amortisation not exceeding 10 years. Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed under exceptional circumstances only in subsequent accounting periods through the income statement.

Acquired and internally generated intangible assets
IFRS (IAS 38 Intangible Assets)
Intangible assets are recognised if they are deemed separable and arise from contractual or other legal rights. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually.

Indian GAAP (AS 26 Intangible Assets)
Intangible assets are capitalised if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year end even if there is no indication that the asset is impaired.

Property, plant and equipment
IFRS (IAS 16 Property, Plant and Equipment, IAS 23 Borrowing Costs)
Fixed assets are recorded at cost or revalued amounts. The Group has elected the cost model.

Foreign exchange gains or losses relating to the procurement of property, plant and equipment, under very restrictive conditions, can be capitalised as part of the asset. Depreciation is recorded over the asset's estimated useful life. The residual value and the useful life of an asset and the depreciation method shall be reviewed at least at each financial year end. The Group has the option to capitalise borrowing costs incurred during the period that the asset is getting ready for its intended use.

Indian GAAP (AS 10 Fixed Assets, AS 16 Borrowing Cost and AS 6 Depreciation Accounting)
Fixed assets are recorded at historical costs or revalued amounts. Relevant borrowing costs are capitalised if certain criteria in AS 16 are met. Depreciation is recorded over the asset's useful life. Schedule II (Part C) of the Companies Act 2013 and Banking Regulations prescribe minimum rates of depreciation and these are typically used as the basis for determining useful life.

Recognition and measurement of financial instruments
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
IAS 39 requires all financial instruments to be initially measured at their fair value, which is usually to be the transaction price. In those cases where the initial fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement, but is amortised to the income statement until the inputs become observable, the transaction matures or is terminated.

At the time of initial recognition, IAS 39 requires all financial assets
to be classified as either:

a) Held at fair value through profit or loss (as a trading instrument
or as designated by management), with realised and unrealised gains or losses reflected in profit or loss

b) Available-for-sale at fair value, with unrealised gains and losses reflected in shareholders' equity and recycled to the income statement when the asset is sold or is impaired

c) Held-to-maturity at amortised cost, where there is the intent and
the ability to hold them to maturity

d) As loans and receivables at amortised cost

At the time of initial recognition, IAS 39 requires all financial liabilities to be classified as either:

e) Held at fair value through profit or loss (as a trading instrument
or as designated by management), with realised and unrealised gains or losses reflected in profit or loss

f) At amortised cost

A financial asset or financial liability, other than one held for trading,
can be designated as being held at fair value through profit or loss if it meets the criteria set out below:

g) The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis

h) A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis, or

i) Assets or liabilities include embedded derivatives and such derivatives are not recognised separately

The designation of a financial instrument as held at fair value through profit or loss is irrevocable in respect of the financial instruments to which it relates. Subsequent to initial recognition instruments cannot be classified into or out of this category. Changes in the fair value of available-for-sale financial assets resulting from movements in foreign currency exchange rates are included in the income statement as exchange differences. Foreign currency exchange movements for available-for-sale equity securities is recognised in reserves.

Indian GAAP (AS 13 Investments)
AS 13 requires investments to be categorised as follows:

a) Current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss

b) Long-term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity

For investments, Reserve Bank of India (RBI) outlines similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS. Financial liabilities are usually carried at cost. There is no ability to designate instruments at fair value. *AS 30 Financial Instruments: Recognition and Measurement* provides guidance on classification criteria and measurement requirements; however, this is not mandatory.

Derivatives
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
IAS 39 requires that all derivatives be recognised on balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.

IAS 39 requires the separation of derivatives embedded in a financial instrument if it is not deemed to be closely related to the economic characteristics of the underlying host instrument.

Indian GAAP
Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement. In the absence of specific guidance, equity options are carried at the lower of cost or market value.

There is no specific guidance on hedge accounting since AS 30 is not mandatory. However, requirements of AS 30 with respect to hedge accounting are largely similar to that of IAS 39. For banks, there are guidelines prescribed by RBI on measurement and accounting of Interest Rate Swaps and Forward Rate Agreements entered onto for hedging purposes.

Impairment of financial assets
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment.

Assets held at amortised cost
If objective evidence of impairment exists, an assessment is made to determine what, if any, impairment loss should be recognised. The impairment loss is the difference between the asset's carrying amount and its estimated recoverable amount.

The recoverable amount is determined based on the present value of expected future cash flows, discounted at the instrument's original effective interest rate, either individually or collectively. Individually assessed assets for which there is no objective evidence of impairment are collectively assessed for impairment.

Available-for-sale assets
If objective evidence of impairment exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognised impairment) is removed from equity and recognised in the income statement.

Market recoveries leading to a reversal of an impairment provision for available-for-sale debt securities are recognised in the income statement. Impairment losses for equity instruments classified as available-for-sale are not permitted to be reversed through profit or loss.

Indian GAAP (AS 13 Investments)
Long-term investments are written down when there is a decline in fair value, which is deemed to be other than temporary. Impairments may be reversed through the income statement in subsequent periods if the investment rises in value or the reasons for the impairment no longer exist.

In accordance with RBI regulations, in respect of available-for-sale investments, impairments are required to be reversed through Investment Reserve Account (equity reserve) if the investment rises in value or the reasons for the impairment no longer exist.

For loans and advances, the RBI regulations additionally require banks to hold provisions in respect of standard assets, specific country risk exposures and unhedged foreign currency exposure.

Derecognition of financial assets
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
A financial asset is derecognised if substantially all the risks and rewards of ownership have been transferred. If substantially all the risks and rewards have not been transferred, the asset will continue to be recognised to the extent of any continuing involvement.

Indian GAAP (RBI Guidelines on Securitisation of Standard Assets)
There is limited guidance on derecognition of financial assets. Securitised financial assets can only be derecognised if the originator has surrendered control over the assets. Control is not surrendered where the securitised assets are not beyond the reach of the creditors of the originator or where the transferee does not have the right to pledge, sell, transfer or exchange the securitised asset for its own benefit, or where there is an option that entitles the originator to repurchase the financial assets transferred under a securitisation transaction from the transferee.

Liabilities and equity
IFRS (IAS 39 Financial Instruments: Recognition and Measurement)
A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled. Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Indian GAAP
Classification is based on the legal form rather than substance.

Provisions for liabilities and charges
IFRS (IAS 37 Provisions, Contingents Liabilities and Contingent Assets)
The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

Indian GAAP (AS 29 Provisions, Contingents Liabilities and Contingent Assets)
Provisions are recognised and measured on a similar basis to IFRS, except that there is no requirement for discounting the provision or liability.

Pension obligations
IFRS (IAS 19 Employee Benefits)
For defined contribution plans, contributions are charged to operating expenses. For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds. Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The net interest expense on the net defined liability for the year is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payment. Net interest expense and other expense related to defined benefit plans are recognised in the income statement.

Indian GAAP (AS 15 Employee Benefits)
The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds. The expected return on plan assets is based on market expectation for the returns over the entire life of the related obligation. Actuarial gains or losses are recognised immediately in the statement of income.

Share-based compensation
IFRS (IFRS 2 Share-based payments)
IFRS 2 requires that all share-based payments are accounted for using a fair value method. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

Indian GAAP
Entities may either follow the intrinsic value method or the fair
value method for determining the costs of benefits arising from share-based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.

Deferred tax is not recognised as it is not considered to represent a timing difference.

Entities are also permitted the option of recognising the related compensation cost over the service period for the entire award (that is, over the service period of the last separately vesting portion of the award), provided that the amount of compensation cost recognised at any date at least equals the fair value of the vested portion of the award at that date.

Deferred taxation
IFRS (IAS 12 Income Taxes)
Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions.

Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise to deferred tax assets.

Indian GAAP (AS 22 Accounting for Taxes on Income)
Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Interest income and expense
IFRS (IAS 18 Revenue)
Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not

consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Indian GAAP (AS 9 Revenue Recognition)
In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight-line basis over the term of the instrument.

Dividends
IFRS (IAS 10 Events After The Reporting Date)
Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company, however, is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

Indian GAAP
Dividends are reflected in the financial statements of the year to which they relate, even if proposed or approved after the year end.

Glossary

AT1 or Additional Tier 1 capital
Additional Tier 1 capital consists of instruments with no fixed maturity issued by the bank and related share premium that meet the Basel III criteria for inclusion in total capital.

Additional value adjustment
See Prudent valuation adjustment.

Advanced Internal Rating Based (AIRB) approach
The AIRB approach under the Basel II framework is used to calculate credit risk capital based on the Group's own estimates of certain parameters.

Advances-to-deposits (ADR) ratio
The ratio of total loans and advances to customers relative to total customer accounts. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

ASEAN
Association of South East Asian Nations (ASEAN) which includes the Group's operations in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

AUM or Assets under management
Total market value of assets such as deposits, securities and funds held by the Group on behalf of the clients.

Basel II
The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the International Convergence of Capital Measurement and Capital Standards.

Basel III
Global framework issued by the BCBS in December 2010, revised in June 2011, which sets regulatory standards on banks' composition of capital, counterparty credit risk, liquidity and leverage ratios. The new requirements will be phased in and fully implemented by 1 January 2019.

Basis point (bps)
One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent.

BCBS or Basel Committee on Banking Supervision
A forum on banking supervisory matters which develops global supervisory standards for the banking industry. Its members are officials from 45 central banks or prudential supervisors from 28 countries and territories.

BIPRU
The PRA's Prudential Sourcebook for Banks, Building Societies and Investment Firms.

CRD or Capital Requirements Directive IV
The Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) that implement the Basel III proposals in Europe.

Capital resources
Sum of Tier 1 and Tier 2 capital after regulatory adjustments.

CGU or cash-generating unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Claw-back
An individual is required to pay back to the Group, which has to be returned to the Group under certain circumstances.

CRE or Commercial real estate
Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multi-family housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

CET1 (Common Equity Tier 1 capital)
CET1 capital consists of the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of CET1.

CET1 ratio
A measure of the Group's CET1 capital as a percentage of risk-weighted assets under CRD IV.

Constant currency
Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.

Contractual maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

CIR or Cost to income ratio
Represents the proportion of total operating expenses to total operating income.

Countercyclical capital buffer
Regulatory Capital of up to 2.5 per cent of risk-weighted assets in a given jurisdiction that is required to be held under Basel III rules to ensure that banks build up surplus capital when macroeconomic conditions indicate excess credit growth.

Counterparty credit risk
The risk that counterparty defaults before satisfying its obligations under a contract.

Cover ratio
Represents the extent to which non-performing loans are covered by impairment allowances.

CCF or Credit Conversion Factor
An estimate of the amount the Group expects a customer to have drawn down further on a facility limit at the point of default, either prescribed by BIPRU or modelled by the Group.

CDS or credit default swaps
A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit institutions
An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

Credit risk mitigation
Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees.

CVA or credit valuation adjustments
An adjustment to the fair value of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the contracts.

Customer accounts
Money deposited by all individuals and companies which are not credit institutions including securities sold under repurchase agreement (see repo/reverse repo). Such funds are recorded as liabilities in the Group's balance sheet under customer accounts.

DVA or debit valuation adjustment
An adjustment to the fair value of derivative contracts that reflect the possibility that the Group may default and not pay the full market value of contracts.

Debt securities
Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue
Debt securities in issue are transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

DTA or deferred tax asset
Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses or the carry-forward of unused tax credits.

DTL or deferred tax liability
Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

Defined benefit obligation
The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

Defined benefit scheme
Pension or other post-retirement benefit scheme other than a defined contribution scheme.

Defined contribution scheme
A pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

Deposits by banks
Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under repo.

Dividend per share
Represents the entitlement of each shareholder in the share of the profits of the company. Calculated in the lowest unit of currency in which the shares are quoted.

Effective tax rate
The tax on profit/(losses) on ordinary activities as a percentage of profit/(loss) on ordinary activities before taxation.

Encumbered assets
On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.

EU or European Union
The European Union (EU) is a political and economic union of 28 member states that are located primarily in Europe.

Eurozone
Represents the 19 EU countries that have adopted the euro as their common currency.

Expected loss
The Group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on Probability of Default, loss given default and exposure at default, with a one-year time horizon.

Exposures
Credit exposures represent the amount lent to a customer, together with any undrawn commitments.

EAD or exposure at default
The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.

ECAI or External Credit Assessment Institutions
For the standardised approach to credit risk for sovereigns, corporate and institutions, external ratings are used to assign riskweights. These external ratings must come from PRA approved rating agencies, known as External Credit Assessment Institutions; which are Moody's, Standard & Poor's and Fitch.

FCA or Financial Conduct Authority
The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

Forbearance
Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial difficulties. The Group classifies such modified loans as either 'Forborne – not impaired loans' or 'Loans subject to forbearance – impaired'. Once a loan is categorised as either of these, it will remain in one of these two categories until the loan matures or is otherwise derecognised.

Forborne – not impaired loans
Loans where the contractual terms have been modified due to financial difficulties of the borrower, but the loan is not considered to be impaired. See 'Forbearance'.

Free deliveries
A transaction in which securities, foreign currencies or commodities have been paid for before receiving them or where securities, foreign currencies or commodities have been delivered before receiving payment for them.

Free funds
Free funds include equity capital, retained reserves, current year unremitted profits and capital injections net of proposed dividends. It does not include debt capital instruments, unrealised profits or losses or any non-cash items.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where there is a commitment to provide future funding is made but funds have been released/not released.

FVA or Funding valuation adjustments
FVA reflects an adjustment to fair value in respect of derivative contracts that reflect the funding costs that the market participant would incorporate when determining an exit price.

G-SIBs or Global Systemically Important Banks
Global financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The Financial Stability Board established a methodology to identify G-SIBs in November 2011 based on 12 principal indicators. Designation will result in the application of a CET1 buffer. The list of G-SIBs is re-assessed through annual re-scoring of banks and a triennial review of the methodology. Designation will result in the application of a CET1 buffer between 1% and 3.5%, to be phased in by 1 January 2019.

G-SIB buffer
A capital buffer prescribed in the EU under CRD IV, to address risks in the financial sector as a whole, or one or more sub-sectors, to be deployed as necessary by each EU member state with a view to mitigate structural macro-prudential risk.

Impaired loans
Loans where individual identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment allowances
A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

IIP or Individually assessed impairment provisions
Impairment that is measured for assets that are individually significant to the Group. Typically assets within the Corporate & Institutional Banking segment of the Group are assessed individually.

Interest rate risk
The risk of an adverse impact on the Group's income statement due to changes in interest rates.

IRB approach or internal ratings-based approach
Used to calculate risk-weighted assets in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of certain parameters.

IMA approach or internal model approach
The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD IV/CRR.

IAS or International Accounting Standard
A standard that forms part of the International Financial Reporting Standards framework.

IASB or International Accounting Standard Board
An independent standard-setting body responsible for the development and publication of IFRS, and approving interpretations of IFRS standards that are recommended by the IFRS Interpretations Committee (IFRIC).

IFRS or International Financial Reporting Standards
A set of international accounting standards developed and issued by the International Accounting Standards Board, consisting of principles-based guidance contained within IFRSs and IASs. All companies that have issued publicly traded securities in the EU are required to prepare annual and interim reports under IFRS and IAS standards that have been endorsed by the EU.

IFRIC
The IFRS Interpretations Committee supports the IASB in providing authoritative guidance on the accounting treatment of issues not specifically dealt with by existing IFRSs and IASs.

Investment grade
A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.

Leverage ratio
A ratio introduced under CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.

Liquidation portfolio
A portfolio of assets which is beyond our current risk appetite metrics and is held for liquidation.

LCR or Liquidity Coverage Ratio
The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and,
ideally, be central bank eligible.

Loans and advances
This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument.

Loans to banks
Amounts loaned to credit institutions including securities bought under Reverse repo.

LTV or loan-to-value ratio
A calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans past due
Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

Loans subject to forbearance – impaired
Loans where the terms have been renegotiated on terms not consistent with current market levels due to financial difficulties of the borrower. Loans in this category are necessarily impaired. See 'Forbearance'.

LGD or loss given default
The percentage of an exposure that a lender expects to lose in the event of obligor default.

Malus
An arrangement that permits the Group to prevent vesting of all or part of the amount of an unvested variable remuneration award, due to a specific crystallised risk, behaviour, conduct or adverse performance outcome.

Master netting agreement
An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

Mezzanine capital
Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

MREL or minimum requirement for own funds and eligible liabilities
A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks. Similar to Total Loss Absorbing Capacity, MREL is intended to ensure there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.

Net asset value (NAV) per share
Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

Net exposure
The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.

NII or net interest income
The difference between interest received on assets and interest paid on liabilities.

NIM or net interest margin
Net interest income divided by average interest earning assets.

NSFR or net stable funding ratio
The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one year time horizon.

NPLs or non-performing loans
Any loan that is more than 90 days past due or is otherwise individually impaired, other than a loan which is: (a) renegotiated before 90 days past due, and on which no default in interest payments or loss of principal is expected; or (b) renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no further loss of principal is expected.

Normalised items
See 'Underlying earnings'.

OTC or over-the-counter derivatives
A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

OCA or own credit adjustment
An adjustment to the Group's issued debt designated at fair value through profit or loss that reflects the possibility that the Group may default and not pay the full market value of the contracts. OCA is recorded in Other comprehensive income.

Pillar 1
The first pillar of the three pillars of Basel II/Basel III which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk.

Pillar 2
The second pillar of the three pillars of Basel II/Basel III which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
The third pillar of the three pillars of Basel II/Basel III which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

PIP or portfolio impairment provisions
Impairment assessment on a collective basis for homogeneous groups of loans to cover losses which have been incurred but have not yet been identified at the balance sheet date. Typically Retail clients are assessed on a portfolio basis.

Private equity investments
Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

PD or Probability of default
PD is an internal estimate for
each borrower grade of the likelihood that an obligor will default on an obligation.

Profit (loss) attributable to ordinary shareholders
Profit (loss) for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

PVA or prudent valuation adjustment
A deduction from CET1 capital, to reflect the difference between fair value and prudent value positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.

PRA or Prudential Regulation Authority
The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.

Repo/reverse repo
A repurchase agreement or repo is a short-term funding agreement, which allows a borrower to sell a financial asset, such as asset backed securities or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Residential mortgage
A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

RoE or Return on equity
Represents the ratio of the
current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity for the reporting period.

RoRWA or return on risk weighted assets
Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See 'RWA' and 'underlying'.

RWA or risk-weighted assets
A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the PRA.

Risks-not-in-VaR (RNIV)
A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

Secured (fully and partially)
A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

Securitisation
Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to a structured entity which then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.

Senior debt
Debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure after subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured note
An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities, allowable portfolio impairment provisions and unrealised gains in the eligible revaluation reserves arising from the fair valuation of equity instruments held as available-for-sale.

TLAC or Total Loss Absorbing Capacity
A standard which recommends that GSIBs hold sufficient equity and specified liabilities which can be used to absorb losses and recapitalise a bank in resolution. It is intended to facilitate an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions, and avoids exposing taxpayers to loss.

UK bank levy
A levy that applies to certain UK banks and the UK operations of foreign banks The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's consolidated balance sheet date. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

Underlying earnings
The Group's statutory performance adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period.

VaR or Value at Risk
An estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

ViU or Value-in-Use
The present value of the future expected cash flows expected to be derived from an asset or CGU.

Write-offs
After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write offs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.

XVA
The term used to incorporate credit, debit and funding valuation adjustments to the fair value of derivative financial instruments. See ‘CVA’, ‘DVA’ and ‘FVA’.

Shareholder information

Preference shares	Next half-yearly dividend
7⅜ per cent non-cumulative irredeemable preference shares of £1 each	1 October 2017
8¼ per cent non-cumulative irredeemable preference shares of £1 each	1 October 2017
6.409 per cent non-cumulative preference shares of $5 each	30 July 2017
7.014 per cent non-cumulative preference shares of $5 each	30 July 2017

Previous dividend payments (not adjusted for rights issue)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124*	£17.394/$27.190
Final 2010	11 May 2011	46.45c/28.2725p/HK$3.623404/INR1.9975170*	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125*	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015*	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950*	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575*	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813*	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626*	£11.949/$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560*	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059*	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372*	£8.5226/$13.34383
No Final dividend declared in 2015 or 2016, and no Interim dividend declared in 2016			

*The INR dividend is per Indian Depository Receipt

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and you will still receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please visit our website at: http://investors.sc.com/en/resource.cfm or contact the shareholder helpline on 0370 702 0138.

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from www.sharegift.org. There is no implication for Capital Gains Tax (no gain no loss) when you donate shares to charity and UK tax payers may be able to claim income tax relief on the value of their donation.

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at www.investorcentre.co.uk or contact our registrar for a mandate form.

Registrars and shareholder enquiries

The Company's ordinary shares are listed on the Official List and traded on the London Stock Exchange. The Company's ordinary shares are also listed on The Stock Exchange of Hong Kong Limited, and through Indian Depository Receipts on the Bombay Stock Exchange and National Stock Exchange of India.

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 7ZY, or contact the shareholder helpline on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: www.computershare.com/hk/investors.

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Computershare Private Limited, Karvy Selenium, Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032, India.

Chinese translation
If you would like a Chinese version of this Half Year Report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本半年報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Half Year Report, the English text shall prevail.

Taxation
Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong and the United States will be sent to you with your dividend documents.

Forward-looking statements

This document may contain “forward-looking statements” that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or other words of similar meaning. By their very nature, such statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement.

Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

By Order of the Board
Elizabeth Lloyd, CBE
Group Company Secretary

Hong Kong, 2 August 2017

As at the date of this announcement, the Board of Directors of Standard Chartered PLC comprises:

Chairman:
José María Viñals Iñiguez

Executive Directors:
William Thomas Winters and Andrew Nigel Halford

Independent Non-Executive Directors:
Om Prakash Bhatt; Dr Louis Chi-Yan Cheung; David Philbrick Conner; Dr Byron Elmer Grote; Dr Han Seung-soo, KBE; Christine Mary Hodgson; Gay Huey Evans, OBE; Naguib Kheraj (Deputy Chairman and Senior Independent Director) and Jasmine Mary Whitbread