



## STANDARD CHARTERED PLC

渣打集團有限公司

(Incorporated as a public limited company in England and Wales with limited liability)

(Registered Number: 966425)

(Stock Code: 02888)

### Results for the First Half and Second Quarter Ended 30 June 2022 – Part 1

#### Performance highlights

All figures are presented on an underlying basis and comparisons are made to 2021 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items excluded from underlying results is set out below.

Bill Winters, Group Chief Executive, said:

“We’ve posted a strong set of results for the first half of the year, with income up 10% on a normalised basis, supported by continued positive momentum in the second quarter, in which we grew income 11%. We remain disciplined on expenses, with significant savings delivered and maintained a strong capital position, with a CET1 ratio of 13.9%. We are also announcing today a new \$500m share buy-back to start imminently. We remain confident in the delivery of the financial targets we set out in February.”

#### Update on the five strategic actions

- **CCIB: drive improved returns:** Income RoRWA up 110bps to 6.0%; FI income now 44% of CCIB, up 3%pts
- **CPBB: transform profitability:** Cost-to-income ratio improved 2%pts from FY’21 to 72%; \$98m gross expense savings delivered in 1H’22; added over 350k new partnership clients
- **Seize China opportunity:** Record first half income for China onshore; strong network income growth in China-ASEAN corridor, up 36%, and China-South Asia, up 24% YoY
- **Cost discipline to create operational leverage:** \$199m gross structural cost savings delivered in 1H’22
- **Substantial shareholder distributions:** CET1 ratio remains towards the top of our 13-14% target range; new \$500m share buy-back to start imminently. \$1.4bn total shareholder distributions announced so far this year

#### Sustainability

- **Sustainable Finance income** up 43% with 11% asset growth YoY

#### Selected information concerning financial performance (1H’22 unless otherwise stated)

- **Return** on tangible equity of 10.1%, up 20bps on 1H’21
- **Income** up 8% to \$8.2bn, up 10% at constant currency (ccy) and excluding debit valuation adjustment (DVA) and normalising for the 2021 IFRS9 interest rate adjustment
  - Net interest income up 12% at ccy
  - Record half in Financial Markets, up \$0.5bn or 18% at ccy and excluding DVA
  - Continued positive momentum in Transaction Banking with income up 14% at ccy
  - Wealth Management down \$0.2bn or 16% at ccy
  - 2Q’22 income up 6% YoY, or up 11% at ccy excluding DVA and normalising for the 2021 IFRS9 interest rate adjustment
  - 2Q’22 Net interest margin (NIM) up 6bps QoQ to 1.35%, from rising interest rates
- **Expenses** increased 4% YoY to \$5.3bn, or up 7% at ccy and up 6% at ccy excluding higher performance-related-pay accruals€
  - \$199m gross expense savings more than offsetting increased investment spend in strategic initiatives and in Ventures
  - Positive 2% income-to-cost jaws at ccy and excluding DVA, cost-to-income ratio down to 65%
- **Credit impairment charge** of \$267m, up \$314m YoY; 2Q’22 down \$133m QoQ
  - Includes \$237m relating to China CRE stage 3 exposures and \$70m for the foreign currency sovereign grading downgrade of Sri Lanka
  - Management overlay down \$129m in 1H’22; total now \$216m; COVID-19 overlay \$90m and China CRE overlay \$126m
  - High-risk assets up \$0.4bn in 1H’22, driven by an increase in Early Alert accounts
- **Underlying profit before tax** up 7% at ccy to \$2.8bn; statutory profit before tax up 10% at ccy to \$2.8bn
- **Tax** charge of \$684m: underlying effective tax rate of 24.6% up 0.5%pts due to a change in the geographic mix of profits
- The Group’s **balance sheet** remains liquid and well diversified

- Customer loans and advances down \$2bn or 1% since 31.03.22, up \$5bn or 2% excluding FX and RWA optimisation actions
- Advances-to-deposit ratio 59.6% (31.03.22: 60.0%); liquidity coverage ratio 142% (31.03.22: 140%)
- **Risk-weighted assets** (RWA) of \$255bn down \$16bn since 31.12.21
  - Credit RWA down \$14bn: \$8bn of asset growth & mix, \$6bn adverse regulatory changes, offset by \$14bn efficiency actions, \$8bn favourable FX impact and \$6bn positive credit migration
  - Market risk RWA down \$2bn to \$23bn; Operational risk RWA broadly flat
- The Group remains strongly capitalised
  - **CET1 ratio** 13.9% (31.12.21: 14.1%): Profits and lower RWAs offset by 100bps of regulatory changes, \$750m share buy-back programme and 50bps from FVOCI due to impact of rising yields on Treasury securities portfolio
  - **Interim ordinary dividend** of \$119m; equivalent to 4c per share
  - \$500m share **buy-back** starting imminently is expected to reduce the CET1 ratio by approximately 20bps
- **Earnings per share** increased 5.1 cents or 9% to 63.4 cents

## 2022 Outlook

The start to 2022 has been strong, albeit external conditions remain difficult to predict. Taking account of current performance and the external environment, our updated guidance for FY'22 that we expect is:

- Income ex-DVA growth of around 10% at constant currency; adverse currency translation impact estimated at \$0.4bn
- Further NIM progression in the second half of the year taking the outlook for the full year average to be around 140bps and 160bps for 2023
- Expenses ex-UK bank levy of around \$10.6bn; inclusive of favourable currency translation impact currently estimated at \$0.3bn
- Risk-weighted assets to be broadly similar to FY'21 on a constant currency basis
- Credit impairment to normalise towards the medium-term loan-loss rate of 30-35bps
- To operate dynamically within the full 13-14% CET1 target range

We are on track to deliver 10% return on tangible equity by 2024 if not earlier.

# Statement of results

|                                                           | 6 months ended<br>30.06.22<br>\$million | 6 months ended<br>30.06.21<br>\$million | Change <sup>1</sup><br>% |
|-----------------------------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------|
| Underlying performance                                    |                                         |                                         |                          |
| Operating income                                          | 8,200                                   | 7,618                                   | 8                        |
| Operating expenses                                        | (5,267)                                 | (5,092)                                 | (3)                      |
| Credit impairment                                         | (267)                                   | 47                                      | nm                       |
| Other impairment                                          | (2)                                     | (25)                                    | 92                       |
| Profit from associates and joint ventures                 | 153                                     | 134                                     | 14                       |
| Profit before taxation                                    | 2,817                                   | 2,682                                   | 5                        |
| Profit attributable to ordinary shareholders <sup>2</sup> | 1,910                                   | 1,826                                   | 5                        |
| Return on ordinary shareholders' tangible equity (%)      | 10.1                                    | 9.9                                     | 20bps                    |
| Cost-to-income ratio (excluding bank levy) (%)            | 64.3                                    | 66.8                                    | 250bps                   |
| Statutory performance                                     |                                         |                                         |                          |
| Operating income                                          | 8,225                                   | 7,628                                   | 8                        |
| Operating expenses                                        | (5,328)                                 | (5,221)                                 | (2)                      |
| Credit impairment                                         | (263)                                   | 51                                      | nm                       |
| Other impairment                                          | (15)                                    | (40)                                    | 63                       |
| Profit from associates and joint ventures                 | 153                                     | 141                                     | 9                        |
| Profit before taxation                                    | 2,772                                   | 2,559                                   | 8                        |
| Taxation                                                  | (684)                                   | (631)                                   | (8)                      |
| Profit for the period                                     | 2,088                                   | 1,928                                   | 8                        |
| Profit attributable to parent company shareholders        | 2,089                                   | 1,914                                   | 9                        |
| Profit attributable to ordinary shareholders <sup>2</sup> | 1,873                                   | 1,718                                   | 9                        |
| Return on ordinary shareholders' tangible equity (%)      | 9.9                                     | 8.7                                     | 120bps                   |
| Cost-to-income ratio (including bank levy) (%)            | 64.8                                    | 68.4                                    | 360bps                   |
| Net interest margin (%) (adjusted)                        | 1.32                                    | 1.22                                    | 10bps                    |

|                                                                            | 30.06.22<br>\$million | 31.12.21<br>\$million | Change <sup>1</sup><br>% |
|----------------------------------------------------------------------------|-----------------------|-----------------------|--------------------------|
| Balance sheet and capital                                                  |                       |                       |                          |
| Total assets                                                               | 835,917               | 827,818               | 1                        |
| Total equity                                                               | 49,692                | 52,636                | (6)                      |
| Average tangible equity attributable to ordinary shareholders <sup>2</sup> | 38,109                | 39,671                | (4)                      |
| Loans and advances to customers                                            | 293,508               | 298,468               | (2)                      |
| Customer accounts                                                          | 453,742               | 474,570               | (4)                      |
| Risk-weighted assets                                                       | 255,082               | 271,233               | (6)                      |
| Total capital                                                              | 53,637                | 57,644                | (7)                      |
| Total capital ratio (%)                                                    | 21.0                  | 21.3                  | (23)bps                  |
| Common Equity Tier 1                                                       | 35,373                | 38,362                | (8)                      |
| Common Equity Tier 1 ratio (%)                                             | 13.9                  | 14.1                  | (28)bps                  |
| Advances-to-deposits ratio (%) <sup>3</sup>                                | 59.6                  | 59.1                  | 0.5                      |
| Liquidity coverage ratio (%)                                               | 142                   | 143                   | (1)                      |
| Leverage ratio (%)                                                         | 4.5                   | 4.9                   | (35)bps                  |

| Information per ordinary share                     | Cents | Cents | Change <sup>1</sup> |
|----------------------------------------------------|-------|-------|---------------------|
| Earnings per share – underlying <sup>4</sup>       | 63.4  | 58.3  | 5.1                 |
| – statutory <sup>4</sup>                           | 62.1  | 54.8  | 7.3                 |
| Net asset value per share <sup>5</sup>             | 1,434 | 1,456 | (22)                |
| Tangible net asset value per share <sup>5</sup>    | 1,248 | 1,277 | (29)                |
| Number of ordinary shares at period end (millions) | 2,967 | 3,057 | (3)                 |

1 Variance is better/(worse) other than assets, liabilities and risk-weighted assets. Change is percentage points difference between two points rather than percentage change for total capital ratio (%), common equity tier 1 ratio (%), net interest margin (%), advances-to-deposits ratio (%), liquidity coverage ratio (%), UK leverage ratio (%). Change is cents difference between two points rather than percentage change for earnings per share, net asset value per share and tangible net asset value per share

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 When calculating this ratio, total loans and advances to customers excludes reverse repurchase agreements and other similar secured lending, excludes approved balances held with central banks, confirmed as repayable at the point of stress and includes loans and advances to customers held at fair value through profit and loss. Total customer accounts include customer accounts held at fair value through profit or loss

4 Represents the underlying or statutory earnings divided by the basic weighted average number of shares. Prior period refers to 6 months ended 30.06.21

5 Calculated on period end net asset value, tangible net asset value and number of shares

## Table of contents

|                                                     |    |
|-----------------------------------------------------|----|
| Performance highlights                              | 1  |
| Statement of results                                | 3  |
| Group Chief Executive's review                      | 5  |
| Group Chief Financial Officer's review              | 8  |
| Supplementary financial information                 | 17 |
| Underlying versus statutory results reconciliations | 31 |
| Alternative performance measures                    | 35 |
| Group Chief Risk Officer's review                   | 36 |

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.

The information within this report is unaudited.

Unless the context requires, within this document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea. Asia includes Australia, Bangladesh, Brunei, Cambodia, Mainland China, Hong Kong, India, Indonesia, Japan, Korea, Laos, Macau, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam; Africa & Middle East (AME) includes Angola, Bahrain, Botswana, Cameroon, Cote d'Ivoire, Egypt, The Gambia, Ghana, Iraq, Jordan, Kenya, Lebanon, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sierra Leone, South Africa, Tanzania, the United Arab Emirates (UAE), Uganda, Zambia and Zimbabwe; and Europe & Americas (EA) includes Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Ireland, Jersey, Poland, Sweden, Turkey, the UK and the US.

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 incorporated in England and Wales with limited liability. 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 and LSE STAN.LN.

## Group Chief Executive's review

### Strong performance in difficult conditions

We've posted a strong set of results for the first half of the year, with income up 10 per cent on a normalised constant currency basis, supported by continued positive momentum in the second quarter in which we grew income 11 per cent. We also generated a 10.1 per cent return on tangible equity (RoTE). We've seen healthy business momentum driving top line growth with a record Financial Markets performance and double-digit growth in net interest income. We will pay an increased interim dividend of \$119 million equal to 4 cents per share. We are also announcing today a new share buy-back of \$500 million, to start imminently, as we actively manage our capital with the aim of returning in excess of \$5 billion to shareholders over the next three years.

We've achieved this by actively supporting our clients and communities in what continue to be difficult conditions. The external environment is likely to remain challenging in light of the Russia/Ukraine war, the continuing impacts of COVID-19 and widespread supply chain disruptions. Recession risks are rising in the US and Europe as central banks are compelled to raise interest rates to address the rapid and sizeable increases in inflation.

However, in the East, many of the markets in which we operate are in the early stages of a post-pandemic recovery. China is deploying strong policy stimulus that should help kick-start the economy so boosting domestic and regional activity. We are well equipped to navigate this complex macroeconomic picture with the solid risk-management foundations that the Group has built over time and the resilience of our diversified business model.

Against this backdrop, we remain confident in the delivery of the financial and strategic targets laid out back in February, to deliver at least a 10 per cent RoTE by 2024, if not earlier.

### Our five strategic actions

In February we set out five strategic actions to help us achieve our 2024 targets.

Since then we have seen geopolitical and macroeconomic volatility that has adversely impacted the global economic environment. It appears at this stage that our markets have been less impacted than those in the West, and several are rebounding well from the COVID-19 pandemic. And you can see this coming through in our results. The five strategic actions remain highly appropriate and serve as catalysts for the whole organisation. I am extremely pleased with the progress that we have made since we made these commitments.

### CCIB: drive improved returns

In CCIB we are going to drive improved returns, targeting an improvement in Income return on risk weighted assets by 160 basis points. In the first six months of the year, Income return on risk weighted assets was 6.0 per cent, already a 110 basis points improvement from 2021. This was driven by strong growth in income from Financial Institution clients, up 16 per cent, which now accounts for 44 per cent of CCIB income. In addition, the CCIB team successfully delivered around a third of their \$22 billion 3-year RWA optimisation target, in the first half of the year, enabling the business to remain well under their RWA target for 2024.

### CPBB: transform profitability

The CPBB team has made steady early progress on their journey to transform profitability, with the cost-to-income ratio down 2 percentage points so far this year to 72 per cent. Of the \$500 million, three-year gross expenses saving target, CPBB is targeting to deliver \$200 million in 2022 and has delivered half of that so far. Actions taken include a further 31 branch closures, and CPBB is executing plans to deliver the remainder of this year's target.

The business also continues to onboard a very healthy number of new clients through partners, with over 350,000 added so far this year. This is a key contributor in driving growth in the number of mass retail clients. As we go into the second half of 2022, CPBB should see tailwinds from both interest rates and hopefully an improving Wealth Management outlook should COVID-19 restrictions ease which will help the cost income ratio further.

### Seize China opportunity

China presents the Group with one of its biggest strategic opportunities over the coming years and our China business delivered its best ever first half income performance this year. Our CCIB business made good progress and China network income grew strongly along a number of key corridors in ASEAN, up 36 per cent and South Asia, up 24 per cent. We saw strong growth particularly in flows to Singapore, India and Bangladesh. In addition, there was strong growth in both sustainable finance income and income from new economy clients.

Unsurprisingly, our CPBB business in China has faced headwinds with large scale COVID-19 lockdowns and weaker market sentiment impacting Wealth Management. Despite this, we continue to make great progress with our focus on digital partnerships with a number of new launches including JD.com and WeBank.

The long-term prospects from the structural shifts relating to China opening its financial and capital markets remain intact. We believe we are in a unique position to capitalise on the significant opportunities from this opening, and are investing \$50 million this year, in both onshore and offshore capabilities, as part of the overall \$300 million three-year investment plan, to further strengthen our position.

### Creating operational leverage

Expense efficiency is core to enabling us to create positive operating leverage, whilst creating capacity for us to continue investing into strategic initiatives, and here we have already delivered around \$200 million of the \$1.3 billion gross structural cost savings target.

### Substantial shareholder distributions

Finally, we plan to return in excess of \$5 billion of capital to our shareholders over the next three years and are dynamically managing our CET1 ratio within our 13 to 14 per cent target range. So far this year we have completed a \$750 million share buy-back and have just announced a new \$500 million buy-back which will start imminently. These buy-backs together with our \$119 million interim dividend will put us on a good trajectory to deliver our \$5 billion target.

### Strategic priorities and the Network

At the start of 2021, we also set out our four strategic priorities; continue to grow our Network business, continue to grow our Affluent business, return to growth in Mass Retail and advance on all fronts of our Sustainability agenda. We are making good progress in every area.

Given the changing economic environment, I'll drill down a bit on our Network business. The Group's unique and differentiated network continues to be a source of competitive advantage through which we facilitate investment, trade and capital flows for our clients. Network income, that is income booked outside a client's headquarter country, is around 55 per cent of CCIB income and is up strongly so far this year, with 14 per cent year-on-year growth, with all of our main trade corridors showing good progress.

Network income is highly attractive for us. It produces higher returns for the Group, with an Income return on risk weighed assets of 7.2 per cent, 120 basis points higher than the CCIB average. Asia is the largest originator of Network income, with \$1.1 billion of income for the first six months of the year, which was up 14 per cent. Intra-Asia corridors account for around three quarters of this, with growth of 10 per cent, with China being the largest single network market. The fastest growing regional corridor out of Asia was East to West, which was up 39 per cent.

Europe and Americas Network income of \$1 billion was up 10 per cent, with more than half into Asia, with particularly strong growth in the ASEAN and South Asia corridors, up 22 per cent. Lastly, Africa and Middle East generates about \$0.3 billion of Network income for the Group and is also an important corridor for Europe and Americas and Asia.

And whilst the overall Network picture is a positive for the Group, we are also taking action as we sharpen our focus on the most significant opportunities for growth, while also simplifying our business. To that end, back in April we announced that we are exiting the onshore operations in seven markets and focusing solely on the CCIB segment in two additional markets. This will allow us to refocus resources in the AME region into new markets, like Saudi Arabia and Egypt, as well as ongoing investments into several of our larger markets in sub-Saharan Africa, building on the strong corporate, retail and digital banking operations we have in those markets.

## Sustainability

We continue to see strong income momentum in our Sustainable Finance business with income up 43 per cent and asset growth of 11 per cent year-on-year. Our pipeline continues to build, and we remain confident in delivering our \$1 billion income ambition in the medium term.

The Russia/Ukraine war is creating some negative sentiment for sustainable finance as companies and countries are having to switch supplies to meet their needs. Volatility and higher prices in core commodities will also impact supply chain issues at renewable companies. However, this is likely to accelerate the climate transition in the medium term, with energy independence now becoming a security issue.

I am excited by the appointment of Marisa Drew as our Chief Sustainability Officer (CSO). Marisa is a highly experienced CSO, and she will lead the newly created CSO organisation across sustainability strategy, client solutions and our net zero programme. We continue to implement our ambitious net zero pathway, including those enhancements we announced in March.

We are also continuing to demonstrate our thought leadership with the release of our 'Just in Time' report that investigated the cost and socio-economic implications of a net-zero carbon transition. Emerging markets are most in need of capital and require almost \$95 trillion to effect their transition. The funding needed is significant and reaching net zero in our markets will therefore be no mean feat. However, we remain optimistic in our ability to play a pivotal role in supporting this just and sustainable transition.

## Ventures

Lastly, looking at the new Ventures segment. We've built-up a diverse portfolio of over 30 ventures and 20 plus investments across six high conviction themes which provide optionality for our future and we are making meaningful progress across a number of areas.

We now have over 1.2 million customers across the various ventures, including over 350,000 customers in Mox, our Hong Kong virtual bank, up 100,000 in the second quarter alone. The total value of customer assets across the various platforms is now almost \$2.5 billion with transaction flows of around \$8 billion in the first six months of this year.

Our recently announced partnership with SBI Holdings will help us accelerate growth of Solv, the B2B digital marketplace for Micro, Small and Medium Enterprises.

We also have in the pipeline some exciting new ventures that are close to launch. Trust, our second separately licenced digital bank in Asia, in partnership with NTUC is in beta testing and plans to go-live in the next couple of months. Our plug-and-play banking as a service solution, Nexus, now has regulatory approval for launch in Indonesia, which is planned imminently, and we are looking at expanding this to a second market. We will provide further updates in the year.

As you can see, since its creation, Ventures has come a long way, with promising future potential.

## Concluding remarks

We've delivered a strong financial performance in the first half of the year and we are making very encouraging early progress against the five strategic actions we laid out in February. Looking forward, whilst recession risks are rising in the West, we are seeing the early stages of a post-pandemic recovery in many of the markets in which we operate, underpinning our prospects for growth. We have the right strategy, business model and ambition to deliver our 2024 targets. The Management Team and I remain focused on delivering these targets while we create exceptional long-term value for the Group.

## Bill Winters

Group Chief Executive

## Group Chief Financial Officer's review

### The Group delivered a strong performance in the first six months of 2022

#### Summary of financial performance

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change<br>%     | Constant<br>currency<br>change <sup>1</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change<br>% | Constant<br>currency<br>change <sup>1</sup><br>% | 1Q'22<br>\$million | Change<br>%     | Constant<br>currency<br>change <sup>1</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|-----------------|--------------------------------------------------|--------------------|--------------------|-------------|--------------------------------------------------|--------------------|-----------------|--------------------------------------------------|
| Net interest income                                        | 3,642              | 3,375              | 8               | 12                                               | 1,852              | 1,713              | 8           | 13                                               | 1,790              | 3               | 6                                                |
| Other income                                               | 4,558              | 4,243              | 7               | 10                                               | 2,074              | 1,976              | 5           | 9                                                | 2,484              | (17)            | (15)                                             |
| Underlying operating income                                | 8,200              | 7,618              | 8               | 11                                               | 3,926              | 3,689              | 6           | 11                                               | 4,274              | (8)             | (6)                                              |
| Other operating expenses                                   | (5,272)            | (5,086)            | (4)             | (7)                                              | (2,636)            | (2,592)            | (2)         | (7)                                              | (2,636)            | –               | (3)                                              |
| UK bank levy                                               | 5                  | (6)                | 183             | 200                                              | 5                  | (6)                | 183         | 200                                              | –                  | nm <sup>3</sup> | nm <sup>3</sup>                                  |
| Underlying operating expenses                              | (5,267)            | (5,092)            | (3)             | (7)                                              | (2,631)            | (2,598)            | (1)         | (6)                                              | (2,636)            | –               | (3)                                              |
| Underlying operating profit before impairment and taxation | 2,933              | 2,526              | 16              | 18                                               | 1,295              | 1,091              | 19          | 21                                               | 1,638              | (21)            | (20)                                             |
| Credit impairment                                          | (267)              | 47                 | nm <sup>3</sup> | nm <sup>3</sup>                                  | (67)               | 67                 | (200)       | nm <sup>3</sup>                                  | (200)              | 67              | 57                                               |
| Other impairment                                           | (2)                | (25)               | 92              | 92                                               | (1)                | (9)                | 89          | 90                                               | (1)                | –               | –                                                |
| Profit from associates and joint ventures                  | 153                | 134                | 14              | 16                                               | 90                 | 87                 | 3           | 5                                                | 63                 | 43              | 43                                               |
| Underlying profit before taxation                          | 2,817              | 2,682              | 5               | 7                                                | 1,317              | 1,236              | 7           | 8                                                | 1,500              | (12)            | (13)                                             |
| Restructuring                                              | (45)               | (123)              | 63              | 63                                               | (37)               | (90)               | 59          | 60                                               | (8)                | nm <sup>3</sup> | nm <sup>3</sup>                                  |
| Statutory profit before taxation                           | 2,772              | 2,559              | 8               | 10                                               | 1,280              | 1,146              | 12          | 13                                               | 1,492              | (14)            | (15)                                             |
| Taxation                                                   | (684)              | (631)              | (8)             | (18)                                             | (371)              | (317)              | (17)        | (19)                                             | (313)              | (19)            | (15)                                             |
| Profit for the period                                      | 2,088              | 1,928              | 8               | 8                                                | 909                | 829                | 10          | 11                                               | 1,179              | (23)            | (23)                                             |
| Net interest margin (%) <sup>2</sup>                       | 1.32               | 1.22               | 10              |                                                  | 1.35               | 1.22               | 13          |                                                  | 1.29               | 6               |                                                  |
| Underlying return on tangible equity (%) <sup>2</sup>      | 10.1               | 9.9                | 20              |                                                  | 8.9                | 8.0                | 90          |                                                  | 11.2               | (230)           |                                                  |
| Underlying earnings per share (cents)                      | 63.4               | 58.3               | 9               |                                                  | 28.2               | 24.8               | 14          |                                                  | 34.8               | (19)            |                                                  |

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Change is the basis points (bps) difference between the two periods rather than the percentage change

3 Not meaningful

#### Summary of Statutory financial performance

|                                                           | 1H'22<br>\$million | 1H'21<br>\$million | Change<br>%     | Constant<br>currency<br>change <sup>1</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change<br>% | Constant<br>currency<br>change <sup>1</sup><br>% | 1Q'22<br>\$million | Change<br>% | Constant<br>currency<br>change <sup>1</sup><br>% |
|-----------------------------------------------------------|--------------------|--------------------|-----------------|--------------------------------------------------|--------------------|--------------------|-------------|--------------------------------------------------|--------------------|-------------|--------------------------------------------------|
| Net interest income                                       | 3,638              | 3,369              | 8               | 12                                               | 1,850              | 1,711              | 8           | 13                                               | 1,788              | 3           | 6                                                |
| Other income                                              | 4,587              | 4,259              | 8               | 11                                               | 2,083              | 1,978              | 5           | 10                                               | 2,504              | (17)        | (15)                                             |
| Statutory operating income                                | 8,225              | 7,628              | 8               | 11                                               | 3,933              | 3,689              | 7           | 11                                               | 4,292              | (8)         | (6)                                              |
| Statutory operating expenses                              | (5,328)            | (5,221)            | (2)             | (6)                                              | (2,663)            | (2,693)            | 1           | (4)                                              | (2,665)            | –           | (3)                                              |
| Statutory operating profit before impairment and taxation | 2,897              | 2,407              | 20              | 23                                               | 1,270              | 996                | 28          | 30                                               | 1,627              | (22)        | (21)                                             |
| Credit impairment                                         | (263)              | 51                 | nm <sup>3</sup> | nm <sup>3</sup>                                  | (66)               | 68                 | (197)       | nm <sup>3</sup>                                  | (197)              | 66          | 57                                               |
| Other impairment                                          | (15)               | (40)               | 63              | 63                                               | (9)                | (12)               | 25          | 25                                               | (6)                | (50)        | (50)                                             |
| Profit from associates and joint ventures                 | 153                | 141                | 9               | 9                                                | 85                 | 94                 | (10)        | (10)                                             | 68                 | 25          | 25                                               |
| Statutory profit before taxation                          | 2,772              | 2,559              | 8               | 10                                               | 1,280              | 1,146              | 12          | 13                                               | 1,492              | (14)        | (15)                                             |
| Taxation                                                  | (684)              | (631)              | (8)             | (18)                                             | (371)              | (317)              | (17)        | (19)                                             | (313)              | (19)        | (15)                                             |
| Profit for the period                                     | 2,088              | 1,928              | 8               | 8                                                | 909                | 829                | 10          | 11                                               | 1,179              | (23)        | (23)                                             |
| Net interest margin (%) <sup>2</sup>                      | 1.32               | 1.22               | 10              |                                                  | 1.35               | 1.22               | 13          |                                                  | 1.29               | 6           |                                                  |
| Statutory return on tangible equity (%) <sup>2</sup>      | 9.9                | 8.7                | 120             |                                                  | 8.7                | 7.0                | 170         |                                                  | 11.1               | (240)       |                                                  |
| Statutory earnings per share (cents)                      | 62.1               | 54.8               | 13              |                                                  | 27.2               | 22.1               | 23          |                                                  | 34.6               | (21)        |                                                  |

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Change is the basis points (bps) difference between the two periods rather than the percentage change

3 Not meaningful



The Group delivered a strong performance in the first half of 2022 as underlying profit before tax increased 7 per cent on a constant currency basis despite a non-recurrence of last year's net impairment release. Income grew 10 per cent on a constant currency basis excluding positive movements in Debit Valuation Adjustment (DVA) and adjusting for the non-repeat of 2021's IFRS9 interest income catch-up adjustment (IFRS9 adjustment). Volatile market conditions led to increased client demand for our Financial Markets capabilities and rising interest rates supported a strong expansion in the net interest margin. The Group generated 2 per cent positive income-to-cost jaws at constant currency excluding DVA as expenses rose 7 per cent on a constant currency basis. Credit impairment charges were equivalent to an annualised loan loss rate of 15 basis points, well below our medium-term guidance of 30 to 35 basis points. The Group remains well capitalised and highly liquid. The liquidity coverage ratio at 142 per cent is well above minimum regulatory requirements. The CET1 ratio of 13.9 per cent remains towards the top end of the 13 to 14 per cent target range, despite the completion a \$750 million share buy-back programme announced in February, benefiting from a 6 per cent reduction in risk-weighted assets since 31 December 2021, enabling the imminent commencement of a new \$500 million share buy-back programme.

- Operating income increased 8 per cent in the first half and was up 10 per cent on a constant currency basis excluding both a \$121 million positive movement in DVA and the prior year \$50 million IFRS9 adjustment. A record Financial Markets performance and an expansion in the net interest margin were partly offset by lower Wealth Management income
- Net interest income increased 8 per cent or 13 per cent on a constant currency basis and adjusting for the non-recurrence of 2021's IFRS9 adjustment. The net interest margin is 10 basis points higher year-on-year benefiting from rising interest rates
- Other income increased 7 per cent on both a reported basis and constant currency basis excluding the impact of positive movements in DVA, with a strong Financial Markets performance including \$202 million from gains on mark-to-market liabilities from widening funding spreads. This was partially offset by lower Wealth Management income and reduced realisation gains within Treasury
- Operating expenses excluding the UK bank levy increased 4 per cent or 7 per cent on a constant currency basis. Expenses were up due to an increase in performance-related pay accruals, salary increases, and higher investment spend as the Group continued to develop its transformational digital capabilities. The cost-to-income ratio decreased 2 percentage points to 65 per cent excluding DVA and UK bank levy and the Group generated 2 per cent positive income-to-cost jaws at constant currency excluding DVA
- Credit impairment was a charge of \$267 million, compared to a \$47 million net release in the first half of 2021, representing an annualised loan loss rate of 15 basis points. Impairment charges relating to China Commercial Real Estate Stage 3 exposures totalled \$237 million and there was a \$70 million charge due to Sri Lanka's foreign currency sovereign grading downgrade. This is partly offset by a net \$129 million release of management overlays. The remaining management overlay now totals \$216 million with \$90 million relating to COVID-19 and \$126 million in relation to the China Commercial Real Estate sector
- Other impairment of \$2 million, a reduction of \$23 million, as a result of no further impairment charges relating to the aviation leasing portfolio
- Profit from associates and joint ventures increased 14 per cent to \$153 million due to increased profits at China Bohai Bank
- Charges relating to restructuring decreased \$78 million to \$45 million, reflecting a non-recurrence of expenses relating to moving to new ways of working during COVID-19
- Taxation was \$684 million on a statutory basis with an underlying year-to-date effective tax rate of 24.6 per cent, marginally up from the 1H'21 rate of 24.1 per cent reflecting a change in the geographic mix of profits
- Underlying return on tangible equity (RoTE) increased by 20 basis points to 10.1 per cent. Prior period RoTE has been restated to reflect a change in methodology in computing RoTE, with the change in the equity valuation of the Group's Ventures portfolio now incorporated as a normalising item to the profit in the period. This captures the change in the value of the Group's Ventures portfolio within the Group's primary return metric. This has increased the RoTE for 1H'21 from the previously reported 9.3 per cent to 9.9 per cent. The change in methodology has not had a material impact on the current period's RoTE. The 20 basis points increase year-on-year results from lower tangible equity reflecting shareholder distributions including share buy-backs, and adverse movements in reserves due to movements in interest rates and FX. Increased profits year-on-year are offset by the non-repeat of an unrealised gain in the prior year in relation to the valuation of the Ventures portfolio

## Operating income by product

|                                               | 1H'22<br>\$million | 1H'21<br>\$million | Change<br>%     | Constant<br>currency<br>change <sup>1</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change<br>%     | Constant<br>currency<br>change <sup>1</sup><br>% | 1Q'22<br>\$million | Change<br>% | Constant<br>currency<br>change <sup>1</sup><br>% |
|-----------------------------------------------|--------------------|--------------------|-----------------|--------------------------------------------------|--------------------|--------------------|-----------------|--------------------------------------------------|--------------------|-------------|--------------------------------------------------|
| Transaction Banking                           | 1,575              | 1,422              | 11              | 14                                               | 835                | 709                | 18              | 22                                               | 740                | 13          | 15                                               |
| Trade & Working Capital <sup>2,3</sup>        | 705                | 710                | (1)             | 2                                                | 343                | 363                | (6)             | (2)                                              | 362                | (5)         | (3)                                              |
| Cash Management                               | 870                | 712                | 22              | 25                                               | 492                | 346                | 42              | 46                                               | 378                | 30          | 34                                               |
| Financial Markets <sup>3</sup>                | 3,096              | 2,576              | 20              | 23                                               | 1,373              | 1,268              | 8               | 11                                               | 1,723              | (20)        | (19)                                             |
| Macro Trading                                 | 1,604              | 1,243              | 29              | 32                                               | 664                | 571                | 16              | 21                                               | 940                | (29)        | (28)                                             |
| Credit Markets <sup>3</sup>                   | 834                | 913                | (9)             | (7)                                              | 374                | 484                | (23)            | (21)                                             | 460                | (19)        | (16)                                             |
| Credit Trading                                | 197                | 233                | (15)            | (15)                                             | 87                 | 102                | (15)            | (12)                                             | 110                | (21)        | (19)                                             |
| Financing Solutions & Issuance <sup>3</sup>   | 637                | 680                | (6)             | (4)                                              | 287                | 382                | (25)            | (23)                                             | 350                | (18)        | (16)                                             |
| Structured Finance <sup>3</sup>               | 196                | 228                | (14)            | (13)                                             | 102                | 128                | (20)            | (20)                                             | 94                 | 9           | 9                                                |
| Financing & Securities Services               | 342                | 193                | 77              | 80                                               | 198                | 86                 | 130             | 121                                              | 144                | 38          | 36                                               |
| DVA                                           | 120                | (1)                | nm <sup>4</sup> | nm <sup>4</sup>                                  | 35                 | (1)                | nm <sup>4</sup> | nm <sup>4</sup>                                  | 85                 | (59)        | (57)                                             |
| Lending & Portfolio Management <sup>2,3</sup> | 282                | 361                | (22)            | (20)                                             | 136                | 188                | (28)            | (26)                                             | 146                | (7)         | (6)                                              |
| Wealth Management                             | 988                | 1,200              | (18)            | (16)                                             | 458                | 554                | (17)            | (15)                                             | 530                | (14)        | (12)                                             |
| Retail Products                               | 1,804              | 1,695              | 6               | 11                                               | 955                | 846                | 13              | 19                                               | 849                | 12          | 16                                               |
| CCPL & other unsecured lending                | 618                | 640                | (3)             | –                                                | 313                | 320                | (2)             | 3                                                | 305                | 3           | 6                                                |
| Deposits                                      | 611                | 442                | 38              | 45                                               | 363                | 209                | 74              | 84                                               | 248                | 46          | 50                                               |
| Mortgage & Auto                               | 482                | 515                | (6)             | (2)                                              | 235                | 268                | (12)            | (7)                                              | 247                | (5)         | (2)                                              |
| Other Retail Products                         | 93                 | 98                 | (5)             | (2)                                              | 44                 | 49                 | (10)            | (4)                                              | 49                 | (10)        | (4)                                              |
| Treasury                                      | 522                | 394                | 32              | 37                                               | 205                | 137                | 50              | 58                                               | 317                | (35)        | (34)                                             |
| Other <sup>3</sup>                            | (67)               | (30)               | (123)           | (25)                                             | (36)               | (13)               | (177)           | (14)                                             | (31)               | (16)        | 3                                                |
| Total underlying operating income             | 8,200              | 7,618              | 8               | 11                                               | 3,926              | 3,689              | 6               | 11                                               | 4,274              | (8)         | (6)                                              |

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Following a reorganisation, there has been a reclassification of balances from Lending & Portfolio Management into Trade & Working Capital including prior period numbers. Prior periods have been re-presented and there is no change in the total income

3 Income related to Group Special Asset Management, the Group's specialist recovery unit previously reported in Other products has been allocated to the relevant products. Prior periods have been re-presented and there is no change in total income

4 Not meaningful

Transaction Banking income increased 11 per cent. Cash Management was up 22 per cent benefiting from margin expansion on the back of recent interest rate rises, balance sheet growth and increased fee income. Trade & Working Capital was down 1 per cent, but up 2 per cent excluding the impact of currency translation, with balance sheet growth offset by margin compression reflecting abundant market liquidity and a shift towards lower margin but more RWA efficient products.

Financial Markets income increased 20 per cent or 17 per cent excluding DVA and the non-repeat of the prior year IFRS9 adjustment. Macro trading increased 29 per cent with FX income delivering strong double-digit growth as macro events led to increased client demand and elevated volatility, widening bid-offer spreads. Commodities also delivered strong double-digit growth, including a record first quarter, when it benefited from volatility in energy prices, while Rates also recorded a double-digit increase in income. Credit Markets income decreased 9 per cent with strong growth in origination and distribution activities in tough market conditions more than offset by widening credit spreads. Structured Finance declined 14 per cent with lower fee income within Aviation Finance. Financing & Securities Services income increased 77 per cent, including \$202 million from gains on mark-to-market liabilities which are expected to reverse once funding spreads normalise.

Lending and Portfolio Management income decreased 22 per cent, or 18 per cent excluding the impact of last years' IFRS9 adjustment, with RWA optimisation actions driving loan sale losses and a reduction in IPO-related lending.

Wealth Management income declined 18 per cent in comparison to a record performance in the first half of 2021. Customer sentiment became more risk-averse in volatile market conditions leading to lower transaction volumes as well as from the impact of COVID-19 restrictions, in particular in North Asia, resulting in a number of branch closures and lower footfall which negatively impacted face-to-face sales. Managed Investments income was down a third, there was a double-digit decline in Treasury Products income while Bancassurance income was flat. Negative market movements reduced assets under management volumes whilst net new sales remained positive albeit at a lower level than the first half of 2021.

Retail Products income increased 6 per cent on a reported basis and was up 11 per cent on a constant currency basis. Deposits income increased 38 per cent as the higher interest rate environment widened margins and higher volumes when the impact of currency translation is excluded. Mortgages & Auto income declined 2 per cent on a constant currency basis with margin compression as a result of increased funding costs and lower fees due to a slowdown in sales in North Asia. Credit Cards & Personal Loans income was flat on a constant currency basis with strong growth in Credit Card balances offset by lower fee income, in particular in Hong Kong which has seen activity levels disrupted by COVID-19.

Treasury income increased 32 per cent, with net interest income up 75 per cent, benefiting from an increase in hedged balances and an increased return on assets as interest rates rose in several markets, partly offset by a \$85 million reduction in realisation gains to \$34 million.

#### Profit before tax by client segment and geographic region

|                                                  | 1H'22<br>\$million | 1H'21<br>\$million | Change<br>% | Constant<br>currency<br>change <sup>2</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change<br>%     | Constant<br>currency<br>change <sup>2</sup><br>% | 1Q'22<br>\$million | Change<br>% | Constant<br>currency<br>change <sup>2</sup><br>% |
|--------------------------------------------------|--------------------|--------------------|-------------|--------------------------------------------------|--------------------|--------------------|-----------------|--------------------------------------------------|--------------------|-------------|--------------------------------------------------|
| Corporate, Commercial & Institutional Banking    | 1,967              | 1,821              | 8           | 10                                               | 868                | 936                | (7)             | (5)                                              | 1,099              | (21)        | (20)                                             |
| Consumer Private & Business Banking <sup>1</sup> | 720                | 853                | (16)        | (13)                                             | 348                | 353                | (1)             | 4                                                | 372                | (6)         | (4)                                              |
| Ventures <sup>1</sup>                            | (151)              | (123)              | (23)        | (26)                                             | (74)               | (84)               | 12              | 9                                                | (77)               | 4           | 4                                                |
| Central & other items (segment) <sup>1</sup>     | 281                | 131                | 115         | 101                                              | 175                | 31                 | nm <sup>3</sup> | nm <sup>3</sup>                                  | 106                | 65          | 34                                               |
| Underlying profit before taxation                | 2,817              | 2,682              | 5           | 7                                                | 1,317              | 1,236              | 7               | 8                                                | 1,500              | (12)        | (13)                                             |
| Asia                                             | 1,862              | 2,239              | (17)        | (15)                                             | 955                | 1,005              | (5)             | (2)                                              | 907                | 5           | 5                                                |
| Africa & Middle East                             | 581                | 475                | 22          | 28                                               | 279                | 285                | (2)             | 5                                                | 302                | (8)         | (2)                                              |
| Europe & Americas                                | 704                | 337                | 109         | 109                                              | 192                | 104                | 85              | 80                                               | 512                | (63)        | (62)                                             |
| Central & other items (region)                   | (330)              | (369)              | 11          | 2                                                | (109)              | (158)              | 31              | 14                                               | (221)              | 51          | 44                                               |
| Underlying profit before taxation                | 2,817              | 2,682              | 5           | 7                                                | 1,317              | 1,236              | 7               | 8                                                | 1,500              | (12)        | (13)                                             |

<sup>1</sup> Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

<sup>2</sup> Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

<sup>3</sup> Not meaningful

As part of the ongoing execution of its refreshed strategy, the Group has expanded and reorganised its reporting structure with the creation of a third client segment, Ventures, effective on 1 January 2022. Ventures is a consolidation of SC Ventures and its related entities as well as the Group's two majority-owned digital banks Mox in Hong Kong and Trust in Singapore. It is reported alongside the current client segments; Corporate, Commercial & Institutional Banking (CCIB) serving larger companies and institutions and Consumer, Private & Business Banking (CPBB) serving individual and business banking clients. There is no change to the regional reporting structure.

CCIB income increased 14 per cent, or 12 per cent excluding both movements in DVA and the prior year IFRS9 adjustment, with Financial Markets income up 17 per cent on a normalised basis and Cash Management income up 22 per cent. Profits grew 8 per cent with increased income partly offset by 5 per cent higher expenses and \$332 million increase in credit impairment charges.

CPBB profit declined 16 per cent or 13 per cent on a constant currency basis. Income declined 3 per cent and was flat on a constant currency basis with lower Wealth Management income offset by increased Deposit income on the back of improved margins. Expenses increased 5 per cent on a constant currency basis while impairments reduced by \$14 million.

Ventures loss increased to \$151 million, reflecting the Group's continued investment in transformational digital initiatives with a 24 per cent increase in expenses.

Central & other items (segment) profit more than doubled to \$281 million with income up 25 per cent due to higher Treasury income. Profits from China Bohai Bank also increased.

Asia profits decreased 17 per cent with credit impairments increasing by \$351 million reflecting charges relating to the China Commercial Real Estate sector and the foreign currency sovereign grading downgrade of Sri Lanka. A 4 per cent increase in income on a constant currency basis was offset by a 6 per cent increase in expenses on a constant currency basis.

Africa & Middle East profits increased 22 per cent to \$581 million, our highest half-year profit performance in the last six years. Income increased 8 per cent on a constant currency basis and there was a \$99 million net impairment release partly offset by 3 per cent increase in expenses on a constant currency basis.

Europe & Americas profit more than doubled as income grew 46 per cent, or 39 per cent excluding movements in DVA with a strong performance in Financial Markets including gains on mark-to-market liabilities from widening funding spreads. Expenses increased 9 per cent on a constant currency basis while the net release in impairments reduced by \$33 million to \$29 million.

Central & other items (region) recorded a loss of \$330 million, a reduction of \$39 million, with income increasing \$30 million and a non-recurrence of prior year other impairment partly offset by a \$17 million increase in expenses.

### Adjusted net interest income and margin

|                                           | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>1</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>1</sup><br>% | 1Q'22<br>\$million | Change <sup>1</sup><br>% |
|-------------------------------------------|--------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|--------------------------|
| Adjusted net interest income <sup>2</sup> | 3,697              | 3,375              | 10                       | 1,888              | 1,705              | 11                       | 1,809              | 4                        |
| Average interest-earning assets           | 565,335            | 557,215            | 1                        | 561,493            | 558,089            | 1                        | 569,220            | (1)                      |
| Average interest-bearing liabilities      | 527,104            | 513,805            | 3                        | 524,273            | 517,939            | 1                        | 529,966            | (1)                      |
| Gross yield (%) <sup>3</sup>              | 2.06               | 1.85               | 21                       | 2.21               | 1.86               | 35                       | 1.92               | 29                       |
| Rate paid (%) <sup>3</sup>                | 0.80               | 0.69               | 11                       | 0.92               | 0.69               | 23                       | 0.68               | 24                       |
| Net yield (%) <sup>3</sup>                | 1.26               | 1.16               | 10                       | 1.29               | 1.17               | 12                       | 1.24               | 5                        |
| Net interest margin (%) <sup>3,4</sup>    | 1.32               | 1.22               | 10                       | 1.35               | 1.22               | 13                       | 1.29               | 6                        |

1 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)

2 Adjusted net interest income is statutory net interest income less funding costs for the trading book and financial guarantee fees on interest-earning assets

3 Change is the basis points (bps) difference between the two periods rather than the percentage change

4 Adjusted net interest income divided by average interest-earning assets, annualised

Adjusted net interest income increased 10 per cent driven by an 8 per cent increase in the net interest margin which averaged 132 basis points in the first half, increasing 10 basis points year-on-year or 13 basis points adjusting for the non-repeat of 2021's catch-up IFRS9 interest income adjustment. The net interest margin increased 6 basis points quarter-on-quarter in the second quarter to 135 basis points:

- Average interest-earning assets declined 1 per cent in the quarter and were broadly flat excluding the impact of currency translation and RWA optimisation actions. Gross yields increased 29 basis points compared with the average in the prior quarter due to the impact of rising interest rates on customer loan pricing and on Treasury portfolio yields
- Average interest-bearing liabilities decreased 1 per cent in the quarter impacted by currency translation, whilst the rate paid on liabilities increased 24 basis points reflecting the impact of rising interest rates on the rate paid on Retail time deposits and Corporate deposits as well as the interest paid on Treasury external funding

### Credit risk summary

#### Income Statement

|                                          | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>1</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>1</sup><br>% | 1Q'22<br>\$million | Change <sup>1</sup><br>% |
|------------------------------------------|--------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|--------------------------|
| Total credit impairment charge/(release) | 267                | (47)               | (668)                    | 67                 | (67)               | (200)                    | 200                | (67)                     |
| Of which stage 1 and 2                   | (10)               | (105)              | (90)                     | 71                 | (70)               | (201)                    | (81)               | (188)                    |
| Of which stage 3                         | 277                | 58                 | 378                      | (4)                | 3                  | (233)                    | 281                | (101)                    |

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

## Balance sheet

|                                                                 | 30.06.22<br>\$million | 31.03.22<br>\$million | Change <sup>1</sup><br>% | 31.12.21<br>\$million | Change <sup>1</sup><br>% | 30.06.21<br>\$million | Change <sup>1</sup><br>% |
|-----------------------------------------------------------------|-----------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| Gross loans and advances to customers <sup>2</sup>              | 298,728               | 301,066               | (1)                      | 304,122               | (2)                      | 303,982               | (2)                      |
| Of which stage 1                                                | 279,136               | 280,021               | –                        | 279,178               | –                        | 277,290               | 1                        |
| Of which stage 2                                                | 12,539                | 13,823                | (9)                      | 16,849                | (26)                     | 17,634                | (29)                     |
| Of which stage 3                                                | 7,053                 | 7,222                 | (2)                      | 8,095                 | (13)                     | 9,058                 | (22)                     |
| Expected credit loss provisions                                 | (5,220)               | (5,281)               | (1)                      | (5,654)               | (8)                      | (5,979)               | (13)                     |
| Of which stage 1                                                | (502)                 | (475)                 | 6                        | (473)                 | 6                        | (447)                 | 12                       |
| Of which stage 2                                                | (385)                 | (430)                 | (10)                     | (524)                 | (27)                     | (544)                 | (29)                     |
| Of which stage 3                                                | (4,333)               | (4,376)               | (1)                      | (4,657)               | (7)                      | (4,988)               | (13)                     |
| Net loans and advances to customers                             | 293,508               | 295,785               | (1)                      | 298,468               | (2)                      | 298,003               | (2)                      |
| Of which stage 1                                                | 278,634               | 279,546               | –                        | 278,705               | –                        | 276,843               | 1                        |
| Of which stage 2                                                | 12,154                | 13,393                | (9)                      | 16,325                | (26)                     | 17,090                | (29)                     |
| Of which stage 3                                                | 2,720                 | 2,846                 | (4)                      | 3,438                 | (21)                     | 4,070                 | (33)                     |
| Cover ratio of stage 3 before/after collateral (%) <sup>3</sup> | 61/80                 | 61/78                 | 0/2                      | 58/75                 | 3/5                      | 55/75                 | 6/5                      |
| Credit grade 12 accounts (\$million)                            | 835                   | 988                   | (15)                     | 1,730                 | (52)                     | 1,623                 | (49)                     |
| Early alerts (\$million)                                        | 7,524                 | 6,653                 | 13                       | 5,534                 | 36                       | 8,970                 | (16)                     |
| Investment grade corporate exposures (%) <sup>3</sup>           | 71                    | 69                    | 2                        | 69                    | 2                        | 63                    | 8                        |

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$7,894 million at 30 June 2022, \$12,571 million at 31 March 2022, \$7,331 million at 31 December 2021 and \$4,584 million at 30 June 2021

3 Change is the percentage points difference between the two points rather than the percentage change

Asset quality remained resilient in the half, with an improvement in a number of underlying credit metrics despite a year-on-year increase in the impairment charge. However, the Group continues to remain alert to an unpredictable and challenging external environment including the continued impact of COVID-19 in key markets, pressures in the China commercial real estate sector, commodity price volatility and the impact of the Russia/Ukraine war. This war in part contributed to both commodity price volatility and the accelerated trajectory of inflation and interest rate rises across our footprint, which in turn have supported both an increased risk of global recession and the appreciation of the US dollar versus the majority of developed and emerging market currencies.

Credit impairment was a \$267 million charge in the first half, compared to a net \$47 million release in the first half of 2021, and represents an annualised loan loss rate of 15 basis points which is below the Group's medium-term guidance of 30-35 basis points.

The \$10 million release in stage 1 and 2 impairment reflects revised macroeconomic outlook, continued delinquency-related charge-offs and post model adjustments for multiple economic scenarios in CPBB offset by a net \$129 million release from management overlays, \$18 million of which was in stage 3. There was a \$160 million reduction in the COVID-19 element of the overlay partly offset by a \$31 million increase in the element relating to the China Commercial Real Estate sector. Management overlays total \$216 million as at 30 June 2022, with \$126 million relating to the China Commercial Real Estate sector and the COVID-19 element totalling \$90 million.

Stage 3 impairments of \$277 million includes \$237 million relating to China Commercial Real Estate exposures and \$70 million relating to the foreign currency sovereign grading downgrade of Sri Lanka, partly offset by releases relating to select stage 3 provisions within CCIB.

Gross stage 3 loans and advances to customers of \$7.1 billion were down \$1 billion compared with 31 December 2021 primarily due to repayments, loan sales, client upgrades and write-offs partly offset by the foreign currency sovereign grading of Sri Lanka as Sri Lanka suspended external debt payments. These credit-impaired loans represented 2.4 per cent of gross loans and advances, a decrease of 30 basis points compared with 31 December 2021.

The stage 3 cover ratio of 61 per cent increased 3 percentage points compared with the position as at 31 December 2021, and the cover ratio post collateral at 80 per cent was up 5 percentage points, with both ratios increasing due to a few material accounts that were either upgraded or sold and additional stage 3 provisions.

Credit grade 12 balances have more than halved since 31 December 2021 to \$835 million reflecting the downgrade of foreign currency sovereign grading of Sri Lanka into stage 3 and client upgrades out of credit grade 12.

Early Alert accounts of \$7.5 billion have increased by \$2.0 billion since 31 December 2021, primarily relating to the volatility seen in the China Commercial Real Estate sector and uncertainties driven by the Russia/Ukraine war. The Group is continuing to carefully monitor its exposures in vulnerable sectors and select markets, given the unusual stresses caused by the currently challenging macro-economic environment.

The proportion of investment-grade corporate exposures has increased by 2 percentage points since 31 December 2021 to 71 per cent due to high-quality origination.

#### Restructuring, goodwill impairment and other items

|                                           | 1H'22<br>Restructuring<br>\$million | 1H'21<br>Restructuring<br>\$million |
|-------------------------------------------|-------------------------------------|-------------------------------------|
| Operating income                          | 25                                  | 10                                  |
| Operating expenses                        | (61)                                | (129)                               |
| Credit impairment                         | 4                                   | 4                                   |
| Other impairment                          | (13)                                | (15)                                |
| Profit from associates and joint ventures | –                                   | 7                                   |
| Loss before taxation                      | (45)                                | (123)                               |

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, 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 underlying performance period-by-period.

Restructuring charges of \$45 million primarily relate to redundancies partly offset by income from the Principal Finance and Ship Leasing portfolios.

The Group has announced the exit of seven markets in the AME region and will focus solely on the CCIB segment in two more. It is expected that the results from the markets and businesses being exited will be reported in restructuring when the exit process is further advanced.

#### Balance sheet and liquidity

|                                                   | 30.06.22<br>\$million | 31.03.22<br>\$million | Change<br>% | 31.12.21<br>\$million | Change<br>% | 30.06.21<br>\$million | Change <sup>1</sup><br>% |
|---------------------------------------------------|-----------------------|-----------------------|-------------|-----------------------|-------------|-----------------------|--------------------------|
| <b>Assets</b>                                     |                       |                       |             |                       |             |                       |                          |
| Loans and advances to banks                       | 36,201                | 35,638                | 2           | 44,383                | (18)        | 45,188                | (20)                     |
| Loans and advances to customers                   | 293,508               | 295,785               | (1)         | 298,468               | (2)         | 298,003               | (2)                      |
| Other assets                                      | 506,208               | 507,694               | –           | 484,967               | 4           | 452,719               | 12                       |
| <b>Total assets</b>                               | <b>835,917</b>        | <b>839,117</b>        | <b>–</b>    | <b>827,818</b>        | <b>1</b>    | <b>795,910</b>        | <b>5</b>                 |
| <b>Liabilities</b>                                |                       |                       |             |                       |             |                       |                          |
| Deposits by banks                                 | 31,173                | 28,930                | 8           | 30,041                | 4           | 30,567                | 2                        |
| Customer accounts                                 | 453,742               | 456,404               | (1)         | 474,570               | (4)         | 441,147               | 3                        |
| Other liabilities                                 | 301,310               | 301,943               | –           | 270,571               | 11          | 271,339               | 11                       |
| <b>Total liabilities</b>                          | <b>786,225</b>        | <b>787,277</b>        | <b>–</b>    | <b>775,182</b>        | <b>1</b>    | <b>743,053</b>        | <b>6</b>                 |
| <b>Equity</b>                                     | <b>49,692</b>         | <b>51,840</b>         | <b>(4)</b>  | <b>52,636</b>         | <b>(6)</b>  | <b>52,857</b>         | <b>(6)</b>               |
| <b>Total equity and liabilities</b>               | <b>835,917</b>        | <b>839,117</b>        | <b>–</b>    | <b>827,818</b>        | <b>1</b>    | <b>795,910</b>        | <b>5</b>                 |
| <b>Advances-to-deposits ratio (%)<sup>2</sup></b> | <b>59.6%</b>          | <b>60.0%</b>          |             | <b>59.1%</b>          |             | <b>64.0%</b>          |                          |
| <b>Liquidity coverage ratio (%)</b>               | <b>142.0%</b>         | <b>140.0%</b>         |             | <b>143.0%</b>         |             | <b>146.0%</b>         |                          |

<sup>1</sup> Variance is increase/(decrease)comparing current reporting period to prior reporting periods

<sup>2</sup> The Group now excludes \$16,918 million held with central banks (31.03.22: \$11,970 million, 31.12.21: \$15,168 million, 30.06.21: \$16,213 million) that has been confirmed as repayable at the point of stress

The Group's balance sheet remains strong, liquid and well diversified:

- Loans and advances to banks were 18 per cent or \$8 billion lower from 31 December 2021 to \$36 billion due to a reduction in Treasury loans and Financial Institutions Trade loans
- Loans and advances to customers decreased 2 per cent since 31 December 2021 to \$294 billion, but grew 4 per cent on an underlying basis, or \$10 billion, excluding the impact of adverse currency translation and risk-weighted asset optimisation actions undertaken by CCIB in the half. The underlying growth was driven by an increase in Treasury and Trade loan balances
- Customer accounts of \$454 billion declined 4 per cent since 31 December 2021 and were down an underlying \$7 billion excluding the impact of currency translation due to client activities and management action resulting in the rolling off of certain non-operational deposits
- Other assets increased 4 per cent since 31 December 2021 with increased derivative balances and unsettled trade balances. Other liabilities increased 11 per cent from increased derivative liabilities, cash collateral liabilities and unsettled trade liabilities

The advances-to-deposits ratio increased to 59.6 per cent from 59.1 per cent at 31 December 2021 reflecting the outflow of customer accounts in the half. The liquidity coverage ratio decreased 1 percentage point to 142 per cent and remains well above the minimum regulatory requirement of 100 per cent.

### Risk-weighted assets

|                  | 30.06.22<br>\$million | 31.03.22<br>\$million | Change <sup>1</sup><br>% | 31.12.21<br>\$million | Change <sup>1</sup><br>% | 30.06.21<br>\$million | Change <sup>1</sup><br>% |
|------------------|-----------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| By risk type     |                       |                       |                          |                       |                          |                       |                          |
| Credit risk      | 205,179               | 210,637               | (3)                      | 219,588               | (7)                      | 229,348               | (11)                     |
| Operational risk | 27,177                | 27,177                | –                        | 27,116                | –                        | 27,116                | –                        |
| Market risk      | 22,726                | 23,019                | (1)                      | 24,529                | (7)                      | 23,763                | (4)                      |
| Total RWAs       | 255,082               | 260,833               | (2)                      | 271,233               | (6)                      | 280,227               | (9)                      |

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

Total risk-weighted assets (RWA) decreased 6 per cent or \$16.2 billion since 31 December 2021 to \$255.1 billion:

- Credit risk RWA decreased by \$14.4 billion in the first half to \$205.2 billion. There was a \$8.1 billion reduction from currency translation, a \$6.9 billion reduction in the CCIB low-returning portfolio targeted for optimisation, \$7.5 billion from other RWA efficiency actions and \$5.8 billion impact from positive credit migration. This was partly offset by a \$5.8 billion increase from regulatory changes and \$8.1 billion increase from a combination of asset growth and mix
- Operational risk RWA was broadly flat at \$27.2 billion
- Market risk RWA decreased by \$1.8 billion to \$22.7 billion reflecting reduced standardised specific interest rate risk positions, and changes in value at risk methodology

### Capital base and ratios

|                                      | 30.06.22<br>\$million | 31.03.22<br>\$million | Change <sup>1</sup><br>% | 31.12.21<br>\$million | Change <sup>1</sup><br>% | 30.06.21<br>\$million | Change <sup>1</sup><br>% |
|--------------------------------------|-----------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| CET1 capital                         | 35,373                | 36,296                | (3)                      | 38,362                | (8)                      | 39,589                | (11)                     |
| Additional Tier 1 capital (AT1)      | 5,244                 | 5,235                 | –                        | 6,791                 | (23)                     | 6,293                 | (17)                     |
| Tier 1 capital                       | 40,617                | 41,531                | (2)                      | 45,153                | (10)                     | 45,882                | (11)                     |
| Tier 2 capital                       | 13,020                | 13,505                | (4)                      | 12,491                | 4                        | 13,279                | (2)                      |
| Total capital                        | 53,637                | 55,036                | (3)                      | 57,644                | (7)                      | 59,161                | (9)                      |
| CET1 capital ratio (%) <sup>2</sup>  | 13.9                  | 13.9                  | –                        | 14.1                  | (0.2)                    | 14.1                  | (0.2)                    |
| Total capital ratio (%) <sup>2</sup> | 21.0                  | 21.1                  | (0.1)                    | 21.3                  | (0.3)                    | 21.1                  | (0.1)                    |
| Leverage ratio (%) <sup>2</sup>      | 4.5                   | 4.4                   | 0.1                      | 4.9                   | (0.4)                    | 5.2                   | (0.7)                    |

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods

2 Change is percentage points difference between two points rather than percentage change

The Group's CET1 ratio of 13.9 per cent was 28 basis points lower than at 31 December 2021, but 42 basis points above the CET1 ratio at 1 January 2022 when regulatory changes, which reduced the Group's CET1 ratio, came into force. The underlying 42 basis points increase reflects approximately 150 basis points uplift from the impact of RWA optimisation actions and profit accretion during the half despite funding a \$750 million share buyback. The CET1 ratio is 3.7 percentage points above the Group's latest regulatory minimum of 10.2 per cent and towards the top of the 13-14 per cent medium-term target range.

The regulatory changes which came into force on 1 January 2022, include the cessation of software relief, the impact from the IRB model repair programme and the introduction of standardised rules for counterparty credit risk on derivatives and other instruments (SA-CCR). In aggregate, these regulatory changes resulted in a decrease in the CET1 ratio of approximately 70 basis points by reducing CET1 capital by \$1.1 billion and increasing RWAs by \$5.8 billion.

The CET1 ratio was reduced by 57 basis points from a reduction in reserves mainly relating to a reversal of prior year unrealised gains on debt securities as a result of higher market yields and movements in currency translation reducing both the translation reserve and RWAs.

The Board has recommended a proposed interim 2022 ordinary share dividend of 4 cents a share for the first half of the year which is calculated formulaically at one-third of the prior year's full-year dividend, reducing the CET1 ratio by approximately 4 basis points.

The Group spent \$754 million purchasing 111 million ordinary shares of \$0.50 each during the first half, representing a volume-weighted average price per share of £5.18. These shares were subsequently cancelled, reducing the total issued share capital by 4 per cent and the CET1 ratio by 27 basis points.

The Board has decided to carry out an additional share buy-back commencing imminently for up to a maximum consideration of \$500 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the third quarter of 2022 by approximately 20 basis points.

The Group's leverage ratio of 4.5 per cent is 35 basis points lower than the 4.9 per cent ratio as at 31 December 2021. This reflects lower Tier 1 capital from the reduction in both CET1 capital and a call of \$1 billion of AT1 balances as well as increased leverage exposures driven by asset growth. The Group's leverage ratio remains significantly above its minimum requirement of 3.7 per cent.

## Outlook

The start to 2022 has been strong, albeit external conditions remain difficult to predict. Taking account of current performance and the external environment, our updated guidance for FY'22 is that we expect:

- Income ex DVA growth of around 10 per cent at constant currency; adverse currency translation impact currently estimated at \$0.4 billion
- Further NIM progression in the second half of the year taking the outlook for the full year average to be around 140 basis points and 160 basis points for 2023
- Expenses excluding UK bank levy of around \$10.6 billion inclusive of favourable currency translation impact currently estimated at \$0.3 billion
- Risk-weighted assets to be broadly similar to FY'21 on a constant currency basis
- Credit impairment in FY'22 to normalise towards the medium-term loan-loss rate of 30-35 basis points
- To operate dynamically within the full 13-14 per cent CET1 target range

We are on track to deliver 10 per cent return on tangible equity by 2024, if not earlier.

**Andy Halford**

Group Chief Financial Officer

29 July 2022



## Supplementary financial information

### Underlying performance by client segment

|                                                               | 1H'22                                                      |                                                   |                       |                                    |                    |
|---------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------|-----------------------|------------------------------------|--------------------|
|                                                               | Corporate, Commercial & Institutional Banking<br>\$million | Consumer, Private & Business Banking<br>\$million | Ventures<br>\$million | Central & other items<br>\$million | Total<br>\$million |
| Operating income                                              | 4,877                                                      | 2,871                                             | 5                     | 447                                | 8,200              |
| External                                                      | 4,581                                                      | 2,612                                             | 5                     | 1,002                              | 8,200              |
| Inter-segment                                                 | 296                                                        | 259                                               | –                     | (555)                              | –                  |
| Operating expenses                                            | (2,714)                                                    | (2,071)                                           | (146)                 | (336)                              | (5,267)            |
| Operating profit/(loss) before impairment losses and taxation | 2,163                                                      | 800                                               | (141)                 | 111                                | 2,933              |
| Credit impairment                                             | (196)                                                      | (79)                                              | (3)                   | 11                                 | (267)              |
| Other impairment                                              | –                                                          | (1)                                               | –                     | (1)                                | (2)                |
| Profit/(loss) from associates and joint ventures              | –                                                          | –                                                 | (7)                   | 160                                | 153                |
| Underlying profit/(loss) before taxation                      | 1,967                                                      | 720                                               | (151)                 | 281                                | 2,817              |
| Restructuring                                                 | (4)                                                        | (21)                                              | (1)                   | (19)                               | (45)               |
| Statutory profit/(loss) before taxation                       | 1,963                                                      | 699                                               | (152)                 | 262                                | 2,772              |
| Total assets                                                  | 427,483                                                    | 134,979                                           | 1,371                 | 272,084                            | 835,917            |
| Of which: loans and advances to customers <sup>2</sup>        | 192,439                                                    | 132,275                                           | 342                   | 29,418                             | 354,474            |
| loans and advances to customers                               | 134,154                                                    | 132,233                                           | 342                   | 26,779                             | 293,508            |
| loans held at fair value through profit or loss (FVTPL)       | 58,285                                                     | 42                                                | –                     | 2,639                              | 60,966             |
| Total liabilities                                             | 500,400                                                    | 179,637                                           | 770                   | 105,418                            | 786,225            |
| Of which: customer accounts <sup>2</sup>                      | 321,517                                                    | 175,747                                           | 689                   | 9,058                              | 507,011            |
| Risk-weighted assets                                          | 154,177                                                    | 52,518                                            | 1,043                 | 47,344                             | 255,082            |
| Underlying return on tangible equity (%)                      | 12.7                                                       | 14.0                                              | nm <sup>3</sup>       | 0.3                                | 10.1               |
| Cost-to-income ratio (%)                                      | 55.6                                                       | 72.1                                              | nm <sup>3</sup>       | 76.3                               | 64.3               |

|                                                               | 1H'21                                                                   |                                                                |                                    |                                                 |                    |
|---------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------|------------------------------------|-------------------------------------------------|--------------------|
|                                                               | Corporate, Commercial & Institutional Banking <sup>1</sup><br>\$million | Consumer, Private & Business Banking <sup>2</sup><br>\$million | Ventures <sup>1</sup><br>\$million | Central & other items <sup>1</sup><br>\$million | Total<br>\$million |
| Operating income                                              | 4,292                                                                   | 2,971                                                          | (3)                                | 358                                             | 7,618              |
| External                                                      | 4,087                                                                   | 2,775                                                          | (3)                                | 759                                             | 7,618              |
| Inter-segment                                                 | 205                                                                     | 196                                                            | –                                  | (401)                                           | –                  |
| Operating expenses                                            | (2,582)                                                                 | (2,025)                                                        | (118)                              | (367)                                           | (5,092)            |
| Operating profit/(loss) before impairment losses and taxation | 1,710                                                                   | 946                                                            | (121)                              | (9)                                             | 2,526              |
| Credit impairment                                             | 136                                                                     | (93)                                                           | –                                  | 4                                               | 47                 |
| Other impairment                                              | (25)                                                                    | –                                                              | –                                  | –                                               | (25)               |
| Profit/(loss) from associates and joint ventures              | –                                                                       | –                                                              | (2)                                | 136                                             | 134                |
| Underlying profit/(loss) before taxation                      | 1,821                                                                   | 853                                                            | (123)                              | 131                                             | 2,682              |
| Restructuring                                                 | (38)                                                                    | (22)                                                           | –                                  | (63)                                            | (123)              |
| Statutory profit/(loss) before taxation                       | 1,783                                                                   | 831                                                            | (123)                              | 68                                              | 2,559              |
| Total assets                                                  | 387,542                                                                 | 137,190                                                        | 624                                | 270,554                                         | 795,910            |
| Of which: loans and advances to customers                     | 197,732                                                                 | 134,281                                                        | 10                                 | 23,153                                          | 355,176            |
| loans and advances to customers                               | 141,205                                                                 | 134,182                                                        | 10                                 | 22,606                                          | 298,003            |
| loans held at fair value through profit or loss (FVTPL)       | 56,527                                                                  | 99                                                             | –                                  | 547                                             | 57,173             |
| Total liabilities                                             | 452,449                                                                 | 179,249                                                        | 757                                | 110,598                                         | 743,053            |
| Of which: customer accounts <sup>2</sup>                      | 307,619                                                                 | 174,862                                                        | 695                                | 8,416                                           | 491,592            |
| Risk-weighted assets                                          | 174,393                                                                 | 56,162                                                         | 518                                | 49,154                                          | 280,227            |
| Underlying return on tangible equity (%)                      | 11.2                                                                    | 15.9                                                           | nm <sup>3</sup>                    | (2.6)                                           | 9.9                |
| Cost-to-income ratio (%)                                      | 60.2                                                                    | 68.2                                                           | nm <sup>3</sup>                    | 100.8                                           | 66.8               |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Customer accounts includes FVTPL and repurchase agreements

3 Not meaningful

## Corporate, Commercial & Institutional Banking<sup>1</sup>

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>5</sup><br>% | Constant<br>currency<br>change <sup>4,5</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>5</sup><br>% | Constant<br>currency<br>change <sup>4,5</sup><br>% | 1Q'22<br>\$million | Change <sup>5</sup><br>% | Constant<br>currency<br>change <sup>4,5</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                           | 4,877              | 4,292              | 14                       | 16                                                 | 2,305              | 2,131              | 8                        | 11                                                 | 2,572              | (10)                     | (9)                                                |
| Transaction Banking                                        | 1,524              | 1,377              | 11                       | 14                                                 | 810                | 685                | 18                       | 22                                                 | 714                | 13                       | 16                                                 |
| Trade & Working Capital <sup>2,3</sup>                     | 674                | 682                | (1)                      | 2                                                  | 328                | 347                | (5)                      | (2)                                                | 346                | (5)                      | (3)                                                |
| Cash Management                                            | 850                | 695                | 22                       | 25                                                 | 482                | 338                | 43                       | 47                                                 | 368                | 31                       | 34                                                 |
| Financial Markets                                          | 3,096              | 2,576              | 20                       | 23                                                 | 1,373              | 1,268              | 8                        | 11                                                 | 1,723              | (20)                     | (19)                                               |
| Macro Trading                                              | 1,604              | 1,243              | 29                       | 32                                                 | 664                | 571                | 16                       | 21                                                 | 940                | (29)                     | (28)                                               |
| Credit Markets <sup>3</sup>                                | 834                | 913                | (9)                      | (7)                                                | 374                | 484                | (23)                     | (21)                                               | 460                | (19)                     | (16)                                               |
| Credit Trading                                             | 197                | 233                | (15)                     | (15)                                               | 87                 | 102                | (15)                     | (12)                                               | 110                | (21)                     | (19)                                               |
| Financing Solutions & Issuance <sup>3</sup>                | 637                | 680                | (6)                      | (4)                                                | 287                | 382                | (25)                     | (23)                                               | 350                | (18)                     | (16)                                               |
| Structured Finance <sup>3</sup>                            | 196                | 228                | (14)                     | (13)                                               | 102                | 128                | (20)                     | (20)                                               | 94                 | 9                        | 9                                                  |
| Financing & Securities Services                            | 342                | 193                | 77                       | 80                                                 | 198                | 86                 | 130                      | 121                                                | 144                | 38                       | 36                                                 |
| DVA                                                        | 120                | (1)                | nm <sup>9</sup>          | nm <sup>9</sup>                                    | 35                 | (1)                | nm <sup>9</sup>          | nm <sup>9</sup>                                    | 85                 | (59)                     | (57)                                               |
| Lending & Portfolio Management <sup>2,3</sup>              | 262                | 344                | (24)                     | (22)                                               | 124                | 181                | (31)                     | (29)                                               | 138                | (10)                     | (8)                                                |
| Other                                                      | (5)                | (5)                | –                        | –                                                  | (2)                | (3)                | 33                       | –                                                  | (3)                | 33                       | –                                                  |
| Operating expenses                                         | (2,714)            | (2,582)            | (5)                      | (8)                                                | (1,388)            | (1,294)            | (7)                      | (11)                                               | (1,326)            | (5)                      | (7)                                                |
| Operating profit before impairment losses and taxation     | 2,163              | 1,710              | 26                       | 29                                                 | 917                | 837                | 10                       | 12                                                 | 1,246              | (26)                     | (25)                                               |
| Credit impairment                                          | (196)              | 136                | nm <sup>9</sup>          | nm <sup>9</sup>                                    | (49)               | 108                | (145)                    | (152)                                              | (147)              | 67                       | 61                                                 |
| Other impairment                                           | –                  | (25)               | 100                      | 100                                                | –                  | (9)                | 100                      | 100                                                | –                  | nm <sup>9</sup>          | nm <sup>9</sup>                                    |
| Underlying profit before taxation                          | 1,967              | 1,821              | 8                        | 10                                                 | 868                | 936                | (7)                      | (5)                                                | 1,099              | (21)                     | (20)                                               |
| Restructuring                                              | (4)                | (38)               | 89                       | 90                                                 | (2)                | (39)               | 95                       | 97                                                 | (2)                | –                        | 50                                                 |
| Statutory profit before taxation                           | 1,963              | 1,783              | 10                       | 12                                                 | 866                | 897                | (3)                      | (1)                                                | 1,097              | (21)                     | (20)                                               |
| Total assets                                               | 427,483            | 387,542            | 10                       | 12                                                 | 427,483            | 387,542            | 10                       | 12                                                 | 420,168            | 2                        | 3                                                  |
| Of which: loans and advances to customers <sup>6</sup>     | 192,439            | 197,732            | (3)                      | 1                                                  | 192,439            | 197,732            | (3)                      | 1                                                  | 200,625            | (4)                      | (2)                                                |
| Total liabilities                                          | 500,400            | 452,449            | 11                       | 13                                                 | 500,400            | 452,449            | 11                       | 13                                                 | 489,720            | 2                        | 4                                                  |
| Of which: customer accounts <sup>6</sup>                   | 321,517            | 307,619            | 5                        | 7                                                  | 321,517            | 307,619            | 5                        | 7                                                  | 329,206            | (2)                      | (1)                                                |
| Risk-weighted assets                                       | 154,177            | 174,393            | (12)                     | nm <sup>9</sup>                                    | 154,177            | 174,393            | (12)                     | nm <sup>9</sup>                                    | 156,753            | (2)                      | nm <sup>9</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>7</sup> | 2.5                | 2.2                | 30bps                    | nm <sup>9</sup>                                    | 2.2                | 2.2                | –                        | nm <sup>9</sup>                                    | 2.7                | (50)bps                  | nm <sup>9</sup>                                    |
| Underlying return on tangible equity (%) <sup>7</sup>      | 12.7               | 11.2               | 150bps                   | nm <sup>9</sup>                                    | 11.4               | 11.2               | 20bps                    | nm <sup>9</sup>                                    | 14.0               | (260)bps                 | nm <sup>9</sup>                                    |
| Cost-to-income ratio (%) <sup>8</sup>                      | 55.6               | 60.2               | 4.6                      | 4.3                                                | 60.2               | 60.7               | 0.5                      | 0.2                                                | 51.6               | (8.6)                    | (9.2)                                              |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Following a reorganisation, there has been a reclassification of balances from Lending & Portfolio Management into Trade & Working Capital including prior period numbers. Prior periods have been re-presented and there is no change in the total income

3 Income related to Group Special Asset Management, the Group's specialist recovery unit previously reported in other products has been allocated to the relevant products. Prior periods have been re-presented and there is no change in total income

4 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

5 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

6 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

7 Change is the basis points (bps) difference between the two periods rather than the percentage change

8 Change is the percentage points difference between the two periods rather than the percentage change

9 Not meaningful

### Performance highlights

- Underlying profit before tax of \$1,967 million was up 8 per cent, driven by higher income partially offset by higher expenses and credit impairment
- Underlying operating income of \$4,877 million was up 14 per cent (up 13 per cent at constant currency excluding the debit valuation adjustment), primarily as a result of higher income from the Macro businesses in Financial Markets and the positive impact of increased interest rates on Cash Management margins, partially offset by a decrease in Lending income
- Higher credit impairment, primarily from changes in China Commercial Real estate exposures and the sovereign ratings downgrade of Sri Lanka, was partially offset by recoveries and release of management overlays
- Risk-weighted assets were down \$9 billion since 31 December 2021, mainly as a result of optimisation of lower returning portfolios, positive credit migration and favourable foreign exchange translation, partially offset by underlying asset growth and regulatory headwinds
- Return on tangible equity increased from 11.2 per cent to 12.7 per cent

## Consumer, Private & Business Banking<sup>1</sup>

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>4</sup><br>% | Constant<br>currency<br>change <sup>3,4</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>4</sup><br>% | Constant<br>currency<br>change <sup>3,4</sup><br>% | 1Q'22<br>\$million | Change <sup>4</sup><br>% | Constant<br>currency<br>change <sup>3,4</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                           | 2,871              | 2,971              | (3)                      | –                                                  | 1,448              | 1,438              | 1                        | 5                                                  | 1,423              | 2                        | 4                                                  |
| Transaction Banking                                        | 51                 | 45                 | 13                       | 13                                                 | 25                 | 24                 | 4                        | 4                                                  | 26                 | (4)                      | –                                                  |
| Trade & Working Capital <sup>2</sup>                       | 31                 | 28                 | 11                       | 7                                                  | 15                 | 16                 | (6)                      | (6)                                                | 16                 | (6)                      | (6)                                                |
| Cash Management                                            | 20                 | 17                 | 18                       | 24                                                 | 10                 | 8                  | 25                       | 25                                                 | 10                 | –                        | 11                                                 |
| Lending & Portfolio Management <sup>2</sup>                | 20                 | 17                 | 18                       | 25                                                 | 12                 | 7                  | 71                       | 57                                                 | 8                  | 50                       | 22                                                 |
| Wealth Management                                          | 988                | 1,200              | (18)                     | (16)                                               | 458                | 554                | (17)                     | (15)                                               | 530                | (14)                     | (12)                                               |
| Retail Products                                            | 1,799              | 1,699              | 6                        | 10                                                 | 951                | 848                | 12                       | 18                                                 | 848                | 12                       | 15                                                 |
| CCPL & other unsecured lending                             | 612                | 641                | (5)                      | (1)                                                | 308                | 321                | (4)                      | 1                                                  | 304                | 1                        | 5                                                  |
| Deposits                                                   | 612                | 444                | 38                       | 45                                                 | 363                | 210                | 73                       | 83                                                 | 249                | 46                       | 49                                                 |
| Mortgage & Auto                                            | 482                | 515                | (6)                      | (2)                                                | 235                | 268                | (12)                     | (7)                                                | 247                | (5)                      | (2)                                                |
| Other Retail Products                                      | 93                 | 99                 | (6)                      | (2)                                                | 45                 | 49                 | (8)                      | (2)                                                | 48                 | (6)                      | (4)                                                |
| Other                                                      | 13                 | 10                 | 30                       | 44                                                 | 2                  | 5                  | (60)                     | (40)                                               | 11                 | (82)                     | (73)                                               |
| Operating expenses                                         | (2,071)            | (2,025)            | (2)                      | (5)                                                | (1,054)            | (1,039)            | (1)                      | (5)                                                | (1,017)            | (4)                      | (6)                                                |
| Operating profit before impairment losses and taxation     | 800                | 946                | (15)                     | (13)                                               | 394                | 399                | (1)                      | 4                                                  | 406                | (3)                      | –                                                  |
| Credit impairment                                          | (79)               | (93)               | 15                       | 12                                                 | (45)               | (46)               | 2                        | (2)                                                | (34)               | (32)                     | (39)                                               |
| Other impairment                                           | (1)                | –                  | nm <sup>8</sup>          | nm <sup>8</sup>                                    | (1)                | –                  | nm <sup>8</sup>          | nm <sup>8</sup>                                    | –                  | nm <sup>8</sup>          | nm <sup>8</sup>                                    |
| Underlying profit before taxation                          | 720                | 853                | (16)                     | (13)                                               | 348                | 353                | (1)                      | 4                                                  | 372                | (6)                      | (4)                                                |
| Restructuring                                              | (21)               | (22)               | 5                        | –                                                  | (14)               | (13)               | (8)                      | (15)                                               | (7)                | (100)                    | (114)                                              |
| Statutory profit before taxation                           | 699                | 831                | (16)                     | (13)                                               | 334                | 340                | (2)                      | 3                                                  | 365                | (8)                      | (6)                                                |
| Total assets                                               | 134,979            | 137,190            | (2)                      | 4                                                  | 134,979            | 137,190            | (2)                      | 4                                                  | 138,063            | (2)                      | 1                                                  |
| Of which: loans and advances to customers <sup>5</sup>     | 132,275            | 134,281            | (1)                      | 4                                                  | 132,275            | 134,281            | (1)                      | 4                                                  | 135,333            | (2)                      | 1                                                  |
| Total liabilities                                          | 179,637            | 179,249            | –                        | 5                                                  | 179,637            | 179,249            | –                        | 5                                                  | 182,197            | (1)                      | 1                                                  |
| Of which: customer accounts <sup>5</sup>                   | 175,747            | 174,862            | 1                        | 5                                                  | 175,747            | 174,862            | 1                        | 5                                                  | 177,953            | (1)                      | 1                                                  |
| Risk-weighted assets                                       | 52,518             | 56,162             | (6)                      | nm <sup>8</sup>                                    | 52,518             | 56,162             | (6)                      | nm <sup>8</sup>                                    | 53,463             | (2)                      | nm <sup>8</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>6</sup> | 2.7                | 3.1                | (40)bps                  | nm <sup>8</sup>                                    | 2.5                | 2.5                | –                        | nm <sup>8</sup>                                    | 2.8                | (30)bps                  | nm <sup>8</sup>                                    |
| Underlying return on tangible equity (%) <sup>6</sup>      | 14.0               | 15.9               | (190)bps                 | nm <sup>8</sup>                                    | 13.6               | 13.0               | 60bps                    | nm <sup>8</sup>                                    | 14.4               | (80)bps                  | nm <sup>8</sup>                                    |
| Cost-to-income ratio (%) <sup>7</sup>                      | 72.1               | 68.2               | (3.9)                    | (4.0)                                              | 72.8               | 72.3               | (0.5)                    | (0.3)                                              | 71.5               | (1.3)                    | (1.1)                                              |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Following a reorganisation, there has been a reclassification of balances from Lending & Portfolio Management into Trade & Working Capital including prior period numbers. Prior periods have been re-presented and there is no change in the total income

3 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

4 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

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8 Not meaningful

## Performance highlights

- Underlying profit before tax of \$720 million was down 16 per cent, driven by lower income, higher expenses and higher credit impairments
- Underlying operating income of \$2,871 million was down 3 per cent (flat on a constant currency basis) as the macroeconomic environment in some key markets impacted the performance of Wealth Management. This was mostly offset by a 38 per cent increase in Retail Deposit income, due to higher margins and increased volumes
- Loans and advances to customers were down 2 per cent (but up 1 per cent on a constant currency basis) since 31 March 2022
- Return on tangible equity decreased from 15.9 per cent to 14.0 per cent

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>3</sup><br>% | Constant<br>currency<br>change <sup>2,3</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>3</sup><br>% | Constant<br>currency<br>change <sup>2,3</sup><br>% | 1Q'22<br>\$million | Change <sup>3</sup><br>% | Constant<br>currency<br>change <sup>2,3</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                           | 5                  | (3)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 4                  | (1)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 1                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Retail Products                                            | 5                  | (4)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 4                  | (2)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 1                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| CCPL & other unsecured lending                             | 6                  | (1)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 5                  | (1)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 1                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Deposits                                                   | (1)                | (2)                | 50                       | 67                                                 | –                  | (1)                | 100                      | 100                                                | (1)                | 100                      | 100                                                |
| Other Retail Products                                      | –                  | (1)                | 100                      | nm <sup>7</sup>                                    | (1)                | –                  | nm <sup>7</sup>          | (100)                                              | 1                  | (200)                    | nm <sup>7</sup>                                    |
| Other                                                      | –                  | 1                  | (100)                    | (100)                                              | –                  | 1                  | (100)                    | (100)                                              | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Operating expenses                                         | (146)              | (118)              | (24)                     | (26)                                               | (74)               | (82)               | 10                       | 6                                                  | (72)               | (3)                      | (6)                                                |
| Operating loss before impairment losses and taxation       | (141)              | (121)              | (17)                     | (19)                                               | (70)               | (83)               | 16                       | 13                                                 | (71)               | 1                        | 1                                                  |
| Credit impairment                                          | (3)                | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | (3)                | 100                      | 100                                                |
| Other impairment                                           | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Loss from associates and joint ventures                    | (7)                | (2)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | (4)                | (1)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | (3)                | (33)                     | (33)                                               |
| Underlying loss before taxation                            | (151)              | (123)              | (23)                     | (26)                                               | (74)               | (84)               | 12                       | 9                                                  | (77)               | 4                        | 4                                                  |
| Restructuring                                              | (1)                | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | (1)                | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Statutory loss before taxation                             | (152)              | (123)              | (24)                     | (27)                                               | (75)               | (84)               | 11                       | 7                                                  | (77)               | 3                        | 3                                                  |
| Total assets                                               | 1,371              | 624                | 120                      | 121                                                | 1,371              | 624                | 120                      | 121                                                | 1,115              | 23                       | 24                                                 |
| Of which: loans and advances to customers <sup>4</sup>     | 342                | 10                 | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 342                | 10                 | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 115                | 197                      | 197                                                |
| Total liabilities                                          | 770                | 757                | 2                        | 3                                                  | 770                | 757                | 2                        | 3                                                  | 693                | 11                       | 11                                                 |
| Of which: customer accounts <sup>4</sup>                   | 689                | 695                | (1)                      | –                                                  | 689                | 695                | (1)                      | –                                                  | 621                | 11                       | 11                                                 |
| Risk-weighted assets                                       | 1,043              | 518                | 101                      | nm <sup>7</sup>                                    | 1,043              | 518                | 101                      | nm <sup>7</sup>                                    | 876                | 19                       | nm <sup>7</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>5</sup> | nm <sup>7</sup>    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    | nm <sup>7</sup>    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Underlying return on tangible equity (%) <sup>5</sup>      | nm <sup>7</sup>    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    | nm <sup>7</sup>    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Cost-to-income ratio (%) <sup>6</sup>                      | nm <sup>7</sup>    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    | nm <sup>7</sup>    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    | nm <sup>7</sup>    | nm <sup>7</sup>          | nm <sup>7</sup>                                    |

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7 Not meaningful

## Performance highlights

- Underlying loss before tax of \$151 million increased 23 per cent, driven mainly by higher expenses as we continue to invest in new and existing ventures
- Loans and advances to customers increased almost three-fold since 31 March 2022, due to customer growth and higher engagement

## Central & other items (segment)

|                                                               | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>3</sup><br>% | Constant<br>currency<br>change <sup>2,3</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>3</sup><br>% | Constant<br>currency<br>change <sup>2,3</sup><br>% | 1Q'22<br>\$million | Change <sup>3</sup><br>% | Constant<br>currency<br>change <sup>2,3</sup><br>% |
|---------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                              | 447                | 358                | 25                       | 39                                                 | 169                | 121                | 40                       | 76                                                 | 278                | (39)                     | (36)                                               |
| Treasury                                                      | 522                | 394                | 32                       | 37                                                 | 205                | 137                | 50                       | 58                                                 | 317                | (35)                     | (34)                                               |
| Other                                                         | (75)               | (36)               | (108)                    | (26)                                               | (36)               | (16)               | (125)                    | (3)                                                | (39)               | 8                        | 21                                                 |
| Operating expenses                                            | (336)              | (367)              | 8                        | (6)                                                | (115)              | (183)              | 37                       | 17                                                 | (221)              | 48                       | 38                                                 |
| Operating Profit/(loss) before impairment losses and taxation | 111                | (9)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 54                 | (62)               | 187                      | 176                                                | 57                 | (5)                      | (30)                                               |
| Credit impairment                                             | 11                 | 4                  | 175                      | 200                                                | 27                 | 5                  | nm <sup>7</sup>          | 200                                                | (16)               | nm <sup>7</sup>          | Nm <sup>7</sup>                                    |
| Other impairment                                              | (1)                | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | (1)                | 100                      | 100                                                |
| Profit from associates and joint ventures                     | 160                | 136                | 18                       | 19                                                 | 94                 | 88                 | 7                        | 8                                                  | 66                 | 42                       | 42                                                 |
| Underlying profit before taxation                             | 281                | 131                | 115                      | 101                                                | 175                | 31                 | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 106                | 65                       | 34                                                 |
| Restructuring                                                 | (19)               | (63)               | 70                       | 69                                                 | (20)               | (38)               | 47                       | 49                                                 | 1                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Goodwill impairment                                           | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Other items                                                   | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    | –                  | nm <sup>7</sup>          | nm <sup>7</sup>                                    |
| Statutory Profit/(loss) before taxation                       | 262                | 68                 | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 155                | (7)                | nm <sup>7</sup>          | nm <sup>7</sup>                                    | 107                | 45                       | 17                                                 |
| Total assets                                                  | 272,084            | 270,554            | 1                        | 5                                                  | 272,084            | 270,554            | 1                        | 5                                                  | 279,771            | (3)                      | (1)                                                |
| Of which: loans and advances to customers <sup>4</sup>        | 29,418             | 23,153             | 27                       | 33                                                 | 29,418             | 23,153             | 27                       | 33                                                 | 27,979             | 5                        | 11                                                 |
| Total liabilities                                             | 105,418            | 110,598            | (5)                      | (3)                                                | 105,418            | 110,598            | (5)                      | (3)                                                | 114,667            | (8)                      | (8)                                                |
| Of which: customer accounts <sup>4</sup>                      | 9,058              | 8,416              | 8                        | 13                                                 | 9,058              | 8,416              | 8                        | 13                                                 | 10,277             | (12)                     | (10)                                               |
| Risk-weighted assets                                          | 47,344             | 49,154             | (4)                      | nm <sup>7</sup>                                    | 47,344             | 49,154             | (4)                      | nm <sup>7</sup>                                    | 49,741             | (5)                      | nm <sup>7</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>5</sup>    | 1.1                | 0.5                | 60bps                    | nm <sup>7</sup>                                    | 1.4                | 0.2                | 120bps                   | nm <sup>7</sup>                                    | 0.8                | 60bps                    | nm <sup>7</sup>                                    |
| Underlying return on tangible equity (%) <sup>5</sup>         | 0.3                | (2.6)              | 290bps                   | nm <sup>7</sup>                                    | (0.3)              | (7.9)              | 760bps                   | nm <sup>7</sup>                                    | 0.9                | (120)bps                 | nm <sup>7</sup>                                    |
| Cost-to-income ratio (%) <sup>6</sup>                         | 76.3               | 100.8              | 24.5                     | 20.8                                               | 71.0               | 146.3              | 75.3                     | 74.3                                               | 79.5               | 8.5                      | (1.4)                                              |

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6 Change is the percentage points difference between the two periods rather than the percentage change

7 Not meaningful

## Performance highlights

- Underlying profit before tax more than doubled to \$281 million with higher operating income from Treasury and higher profits from our associate China Bohai Bank
- Underlying operating income from Treasury was up 32 per cent (37 per cent on a constant currency basis), mainly driven by improved net interest income from hedging activities and higher interest on assets repricing as rates rise, partially offset by lower realisation opportunities

## Underlying performance by region

|                                                               | 1H'22             |                                      |                                |                                       |                    |
|---------------------------------------------------------------|-------------------|--------------------------------------|--------------------------------|---------------------------------------|--------------------|
|                                                               | Asia<br>\$million | Africa &<br>Middle East<br>\$million | Europe & Americas<br>\$million | Central &<br>other items<br>\$million | Total<br>\$million |
| Operating income                                              | 5,522             | 1,291                                | 1,445                          | (58)                                  | 8,200              |
| Operating expenses                                            | (3,417)           | (808)                                | (771)                          | (271)                                 | (5,267)            |
| Operating profit/(loss) before impairment losses and taxation | 2,105             | 483                                  | 674                            | (329)                                 | 2,933              |
| Credit impairment                                             | (398)             | 99                                   | 29                             | 3                                     | (267)              |
| Other impairment                                              | (2)               | (1)                                  | 1                              | –                                     | (2)                |
| Profit/(loss) from associates and joint ventures              | 157               | –                                    | –                              | (4)                                   | 153                |
| Underlying profit/(loss) before taxation                      | 1,862             | 581                                  | 704                            | (330)                                 | 2,817              |
| Restructuring                                                 | (19)              | (7)                                  | (6)                            | (13)                                  | (45)               |
| Statutory profit/(loss) before taxation                       | 1,843             | 574                                  | 698                            | (343)                                 | 2,772              |
| Total assets                                                  | 477,485           | 57,859                               | 291,264                        | 9,309                                 | 835,917            |
| Of which: loans and advances to customers <sup>1</sup>        | 259,484           | 28,003                               | 66,987                         | –                                     | 354,474            |
| loans and advances to customers                               | 243,169           | 26,656                               | 23,683                         | –                                     | 293,508            |
| loans held at fair value through profit or loss (FVTPL)       | 16,315            | 1,347                                | 43,304                         | –                                     | 60,966             |
| Total liabilities                                             | 431,424           | 42,672                               | 243,877                        | 68,252                                | 786,225            |
| Of which: customer accounts <sup>1</sup>                      | 332,705           | 33,480                               | 140,826                        | –                                     | 507,011            |
| Risk-weighted assets                                          | 160,345           | 43,613                               | 50,038                         | 1,086                                 | 255,082            |
| Underlying return on risk-weighted assets (%) <sup>2</sup>    | 2.2               | 2.5                                  | 2.8                            | nm <sup>4</sup>                       | 2.1                |
| Underlying return on tangible equity (%) <sup>2</sup>         | 11.8              | 13.1                                 | 14.5                           | nm <sup>4</sup>                       | 10.1               |
| Cost-to-income ratio (%) <sup>3</sup>                         | 61.9              | 62.6                                 | 53.4                           | nm <sup>4</sup>                       | 64.3               |

|                                                               | 1H'21             |                                      |                                |                                       |                    |
|---------------------------------------------------------------|-------------------|--------------------------------------|--------------------------------|---------------------------------------|--------------------|
|                                                               | Asia<br>\$million | Africa &<br>Middle East<br>\$million | Europe & Americas<br>\$million | Central &<br>other items<br>\$million | Total<br>\$million |
| Operating income                                              | 5,463             | 1,250                                | 993                            | (88)                                  | 7,618              |
| Operating expenses                                            | (3,298)           | (815)                                | (725)                          | (254)                                 | (5,092)            |
| Operating profit/(loss) before impairment losses and taxation | 2,165             | 435                                  | 268                            | (342)                                 | 2,526              |
| Credit impairment                                             | (47)              | 40                                   | 62                             | (8)                                   | 47                 |
| Other impairment                                              | (15)              | –                                    | 7                              | (17)                                  | (25)               |
| Profit/(loss) from associates and joint ventures              | 136               | –                                    | –                              | (2)                                   | 134                |
| Underlying profit/(loss) before taxation                      | 2,239             | 475                                  | 337                            | (369)                                 | 2,682              |
| Restructuring                                                 | (27)              | (3)                                  | (20)                           | (73)                                  | (123)              |
| Statutory profit/(loss) before taxation                       | 2,212             | 472                                  | 317                            | (442)                                 | 2,559              |
| Total assets                                                  | 467,933           | 57,797                               | 261,041                        | 9,139                                 | 795,910            |
| Of which: loans and advances to customers <sup>1</sup>        | 255,630           | 29,825                               | 69,721                         | –                                     | 355,176            |
| loans and advances to customers                               | 240,297           | 27,256                               | 30,450                         | –                                     | 298,003            |
| loans held at fair value through profit or loss (FVTPL)       | 15,333            | 2,569                                | 39,271                         | –                                     | 57,173             |
| Total liabilities                                             | 418,583           | 39,464                               | 213,713                        | 71,293                                | 743,053            |
| Of which: customer accounts <sup>1</sup>                      | 334,639           | 32,847                               | 124,106                        | –                                     | 491,592            |
| Risk-weighted assets                                          | 182,172           | 52,596                               | 48,556                         | (3,097)                               | 280,227            |
| Underlying return on risk-weighted assets (%) <sup>2</sup>    | 2.5               | 1.9                                  | 1.4                            | nm <sup>4</sup>                       | 1.9                |
| Underlying return on tangible equity (%) <sup>2</sup>         | 13.4              | 9.7                                  | 7.2                            | nm <sup>4</sup>                       | 9.9                |
| Cost-to-income ratio (%) <sup>3</sup>                         | 60.4              | 65.2                                 | 73.0                           | nm <sup>4</sup>                       | 66.8               |

<sup>1</sup> Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

<sup>2</sup> Change is the basis points (bps) difference between the two periods rather than the percentage change

<sup>3</sup> Change is the percentage points difference between the two periods rather than the percentage change

<sup>4</sup> Not meaningful

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 1Q'22<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                           | 5,522              | 5,463              | 1                        | 4                                                  | 2,725              | 2,646              | 3                        | 7                                                  | 2,797              | (3)                      | –                                                  |
| Operating expenses                                         | (3,417)            | (3,298)            | (4)                      | (6)                                                | (1,746)            | (1,726)            | (1)                      | (5)                                                | (1,671)            | (4)                      | (7)                                                |
| Operating profit before impairment losses and taxation     | 2,105              | 2,165              | (3)                      | –                                                  | 979                | 920                | 6                        | 11                                                 | 1,126              | (13)                     | (11)                                               |
| Credit impairment                                          | (398)              | (47)               | nm <sup>6</sup>          | nm <sup>6</sup>                                    | (113)              | 11                 | nm <sup>6</sup>          | nm <sup>6</sup>                                    | (285)              | 60                       | 53                                                 |
| Other impairment                                           | (2)                | (15)               | 87                       | 87                                                 | (2)                | (15)               | 87                       | 88                                                 | –                  | nm <sup>6</sup>          | nm <sup>6</sup>                                    |
| Profit from associates and joint ventures                  | 157                | 136                | 15                       | 17                                                 | 91                 | 89                 | 2                        | 5                                                  | 66                 | 38                       | 38                                                 |
| Underlying profit before taxation                          | 1,862              | 2,239              | (17)                     | (15)                                               | 955                | 1,005              | (5)                      | (2)                                                | 907                | 5                        | 5                                                  |
| Restructuring                                              | (19)               | (27)               | 30                       | 32                                                 | (10)               | (22)               | 55                       | 62                                                 | (9)                | (11)                     | 11                                                 |
| Statutory profit before taxation                           | 1,843              | 2,212              | (17)                     | (14)                                               | 945                | 983                | (4)                      | (1)                                                | 898                | 5                        | 5                                                  |
| Total assets                                               | 477,485            | 467,933            | 2                        | 7                                                  | 477,485            | 467,933            | 2                        | 7                                                  | 475,917            | –                        | 3                                                  |
| Of which: loans and advances to customers <sup>3</sup>     | 259,484            | 255,630            | 2                        | 7                                                  | 259,484            | 255,630            | 2                        | 7                                                  | 263,871            | (2)                      | 2                                                  |
| Total liabilities                                          | 431,424            | 418,583            | 3                        | 7                                                  | 431,424            | 418,583            | 3                        | 7                                                  | 424,264            | 2                        | 4                                                  |
| Of which: customer accounts <sup>3</sup>                   | 332,705            | 334,639            | (1)                      | 3                                                  | 332,705            | 334,639            | (1)                      | 3                                                  | 334,813            | (1)                      | 2                                                  |
| Risk-weighted assets                                       | 160,345            | 182,172            | (12)                     | nm <sup>6</sup>                                    | 160,345            | 182,172            | (12)                     | nm <sup>6</sup>                                    | 163,447            | (2)                      | nm <sup>6</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>4</sup> | 2.2                | 2.5                | (30)                     | nm <sup>6</sup>                                    | 2.3                | 2.2                | 10                       | nm <sup>6</sup>                                    | 2.1                | 20                       | nm <sup>6</sup>                                    |
| Underlying return on tangible equity (%) <sup>4</sup>      | 11.8               | 13.4               | (160)                    | nm <sup>6</sup>                                    | 12.3               | 11.8               | 50                       | nm <sup>6</sup>                                    | 11.3               | 100                      | nm <sup>6</sup>                                    |
| Cost-to-income ratio (%) <sup>5</sup>                      | 61.9               | 60.4               | (1.5)                    | (1.6)                                              | 64.1               | 65.2               | 1.1                      | 1.3                                                | 59.7               | (4.4)                    | (4.4)                                              |

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

2 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

3 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

4 Change is the basis points (bps) difference between the two periods rather than the percentage change

5 Change is the percentage points difference between the two periods rather than the percentage change

6 Not meaningful

## Performance highlights

- Underlying profit before tax of \$1,862 million was down 17 per cent due to higher expenses and credit impairments, which more than offset higher income
- Underlying operating income of \$5,522 million was up 1 per cent (up 4 per cent on a constant currency basis), predominantly driven by Cash Management and Retail Deposits, both benefiting from the increase in interest rates. This was partially offset by lower Wealth Management income as market conditions reduced transaction volumes, as well as the impact of COVID-19 restrictions impacting income in our key markets, Hong Kong and China
- Loans and advances to customers were down 2 per cent (up 2 per cent on a constant currency basis) since 31 March 2022, predominantly driven by Trade in Singapore, Korea and India and Retail unsecured loans and Mortgages in some of our key markets
- Risk-weighted assets were down \$3 billion since 31 March 2022



## Africa & Middle East

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 1Q'22<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                           | 1,291              | 1,250              | 3                        | 8                                                  | 632                | 660                | (4)                      | 1                                                  | 659                | (4)                      | –                                                  |
| Operating expenses                                         | (808)              | (815)              | 1                        | (3)                                                | (405)              | (422)              | 4                        | (1)                                                | (403)              | –                        | (3)                                                |
| Operating profit before impairment losses and taxation     | 483                | 435                | 11                       | 17                                                 | 227                | 238                | (5)                      | 1                                                  | 256                | (11)                     | (5)                                                |
| Credit impairment                                          | 99                 | 40                 | 148                      | 138                                                | 53                 | 47                 | 13                       | 26                                                 | 46                 | 15                       | 17                                                 |
| Other impairment                                           | (1)                | –                  | nm <sup>6</sup>          | nm <sup>6</sup>                                    | (1)                | –                  | nm <sup>6</sup>          | nm <sup>6</sup>                                    | –                  | nm <sup>6</sup>          | nm <sup>6</sup>                                    |
| Underlying profit before taxation                          | 581                | 475                | 22                       | 28                                                 | 279                | 285                | (2)                      | 5                                                  | 302                | (8)                      | (2)                                                |
| Restructuring                                              | (7)                | (3)                | (133)                    | (133)                                              | (8)                | (2)                | nm <sup>6</sup>          | (150)                                              | 1                  | nm <sup>6</sup>          | nm <sup>6</sup>                                    |
| Statutory profit before taxation                           | 574                | 472                | 22                       | 27                                                 | 271                | 283                | (4)                      | 3                                                  | 303                | (11)                     | (6)                                                |
| Total assets                                               | 57,859             | 57,797             | –                        | 6                                                  | 57,859             | 57,797             | –                        | 6                                                  | 55,458             | 4                        | 7                                                  |
| Of which: loans and advances to customers <sup>3</sup>     | 28,003             | 29,825             | (6)                      | (2)                                                | 28,003             | 29,825             | (6)                      | (2)                                                | 26,175             | 7                        | 10                                                 |
| Total liabilities                                          | 42,672             | 39,464             | 8                        | 14                                                 | 42,672             | 39,464             | 8                        | 14                                                 | 43,287             | (1)                      | 1                                                  |
| Of which: customer accounts <sup>3</sup>                   | 33,480             | 32,847             | 2                        | 8                                                  | 33,480             | 32,847             | 2                        | 8                                                  | 34,705             | (4)                      | (1)                                                |
| Risk-weighted assets                                       | 43,613             | 52,596             | (17)                     | nm <sup>6</sup>                                    | 43,613             | 52,596             | (17)                     | nm <sup>6</sup>                                    | 45,154             | (3)                      | nm <sup>6</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>4</sup> | 2.5                | 1.9                | 60                       | nm <sup>6</sup>                                    | 2.5                | 2.2                | 30                       | nm <sup>6</sup>                                    | 2.6                | (10)                     | nm <sup>6</sup>                                    |
| Underlying return on tangible equity (%) <sup>4</sup>      | 13.1               | 9.7                | 340                      | nm <sup>6</sup>                                    | 13.0               | 11.4               | 160                      | nm <sup>6</sup>                                    | 13.2               | (20)                     | nm <sup>6</sup>                                    |
| Cost-to-income ratio (%) <sup>5</sup>                      | 62.6               | 65.2               | 2.6                      | 3.0                                                | 64.1               | 63.9               | (0.2)                    | (0.1)                                              | 61.2               | (2.9)                    | (2.0)                                              |

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2 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

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4 Change is the basis points (bps) difference between the two periods rather than the percentage change

5 Change is the percentage points difference between the two periods rather than the percentage change

6 Not meaningful

## Performance highlights

- Underlying profit before tax of \$581 million was up 22 per cent and is the highest half-yearly profit since 2015, mainly driven by increased income and a credit impairment release
- Underlying operating income of \$1,291 million was 3 per cent higher (8 per cent higher on a constant currency basis), driven mainly by Financial Markets and Cash Management, with broad-based growth across most other products
- Loans and advances to customers were up 7 per cent and customer accounts were down 4 per cent, since 31 March 2022
- Risk-weighted assets were down \$2 billion since 31 March 2022

## Europe & Americas

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 1Q'22<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                           | 1,445              | 993                | 46                       | 48                                                 | 588                | 443                | 33                       | 35                                                 | 857                | (31)                     | (31)                                               |
| Operating expenses                                         | (771)              | (725)              | (6)                      | (9)                                                | (390)              | (359)              | (9)                      | (12)                                               | (381)              | (2)                      | (4)                                                |
| Operating profit before impairment losses and taxation     | 674                | 268                | 151                      | 151                                                | 198                | 84                 | 136                      | 129                                                | 476                | (58)                     | (58)                                               |
| Credit impairment                                          | 29                 | 62                 | (53)                     | (53)                                               | (7)                | 15                 | (147)                    | (147)                                              | 36                 | (119)                    | (119)                                              |
| Other impairment                                           | 1                  | 7                  | (86)                     | (86)                                               | 1                  | 5                  | (80)                     | (80)                                               | —                  | nm <sup>6</sup>          | nm <sup>6</sup>                                    |
| Underlying profit before taxation                          | 704                | 337                | 109                      | 109                                                | 192                | 104                | 85                       | 80                                                 | 512                | (63)                     | (62)                                               |
| Restructuring                                              | (6)                | (20)               | 70                       | 68                                                 | (9)                | (1)                | nm <sup>6</sup>          | nm <sup>6</sup>                                    | 3                  | nm <sup>6</sup>          | nm <sup>6</sup>                                    |
| Statutory profit before taxation                           | 698                | 317                | 120                      | 119                                                | 183                | 103                | 78                       | 72                                                 | 515                | (64)                     | (64)                                               |
| Total assets                                               | 291,264            | 261,041            | 12                       | 13                                                 | 291,264            | 261,041            | 12                       | 13                                                 | 298,207            | (2)                      | (2)                                                |
| Of which: loans and advances to customers <sup>3</sup>     | 66,987             | 69,721             | (4)                      | (2)                                                | 66,987             | 69,721             | (4)                      | (2)                                                | 74,006             | (9)                      | (8)                                                |
| Total liabilities                                          | 243,877            | 213,713            | 14                       | 16                                                 | 243,877            | 213,713            | 14                       | 16                                                 | 252,035            | (3)                      | (3)                                                |
| Of which: customer accounts <sup>3</sup>                   | 140,826            | 124,106            | 13                       | 15                                                 | 140,826            | 124,106            | 13                       | 15                                                 | 148,539            | (5)                      | (4)                                                |
| Risk-weighted assets                                       | 50,038             | 48,556             | 3                        | nm <sup>6</sup>                                    | 50,038             | 48,556             | 3                        | nm <sup>6</sup>                                    | 49,619             | 1                        | nm <sup>6</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>4</sup> | 2.8                | 1.4                | 140                      | nm <sup>6</sup>                                    | 1.5                | 0.9                | 60                       | nm <sup>6</sup>                                    | 4.1                | (260)                    | nm <sup>6</sup>                                    |
| Underlying return on tangible equity (%) <sup>4</sup>      | 14.5               | 7.2                | 730                      | nm <sup>6</sup>                                    | 8.0                | 4.5                | 350                      | nm <sup>6</sup>                                    | 21.0               | (1,300)                  | nm <sup>6</sup>                                    |
| Cost-to-income ratio (%) <sup>5</sup>                      | 53.4               | 73.0               | 19.6                     | 19.1                                               | 66.3               | 81.0               | 14.7                     | 13.8                                               | 44.5               | (21.8)                   | (22.0)                                             |

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6 Not meaningful

## Performance highlights

- Underlying profit before tax of \$704 million more than doubled, predominantly driven by higher income
- Underlying operating income of \$1,445 million was up 46 per cent (up 39 per cent excluding the impact of the debit valuation adjustment), driven by strong income growth in Financial Markets, mainly in Macro Trading (FX and Commodities) and also from gains on mark-to-market liabilities from widening funding spreads. Significantly higher deposit balances also drove growth in Cash Management income
- Loans and advances to customers were down 9 per cent and customer accounts were down 5 per cent since 31 March 2022

## Central & other items (region)

|                                                            | 1H'22<br>\$million | 1H'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 2Q'22<br>\$million | 2Q'21<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% | 1Q'22<br>\$million | Change <sup>2</sup><br>% | Constant<br>currency<br>change <sup>1,2</sup><br>% |
|------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------------------------|--------------------|--------------------------|----------------------------------------------------|
| Operating income                                           | (58)               | (88)               | 34                       | 41                                                 | (19)               | (60)               | 68                       | 71                                                 | (39)               | 51                       | 51                                                 |
| Operating expenses                                         | (271)              | (254)              | (7)                      | (29)                                               | (90)               | (91)               | 1                        | (51)                                               | (181)              | 50                       | 42                                                 |
| Operating loss before impairment losses and taxation       | (329)              | (342)              | 4                        | (7)                                                | (109)              | (151)              | 28                       | 10                                                 | (220)              | 50                       | 44                                                 |
| Credit impairment                                          | 3                  | (8)                | 138                      | 133                                                | –                  | (6)                | 100                      | 100                                                | 3                  | (100)                    | (100)                                              |
| Other impairment                                           | –                  | (17)               | 100                      | 100                                                | 1                  | 1                  | –                        | –                                                  | (1)                | 200                      | 200                                                |
| Profit from associates and joint ventures                  | (4)                | (2)                | (100)                    | (100)                                              | (1)                | (2)                | 50                       | –                                                  | (3)                | 67                       | 67                                                 |
| Underlying loss before taxation                            | (330)              | (369)              | 11                       | 2                                                  | (109)              | (158)              | 31                       | 14                                                 | (221)              | 51                       | 44                                                 |
| Restructuring                                              | (13)               | (73)               | 82                       | 82                                                 | (10)               | (65)               | 85                       | 86                                                 | (3)                | nm <sup>5</sup>          | (200)                                              |
| Goodwill Impairment                                        | –                  | –                  | nm <sup>5</sup>          | nm <sup>5</sup>                                    | –                  | –                  | nm <sup>5</sup>          | nm <sup>5</sup>                                    | –                  | nm <sup>5</sup>          | nm <sup>5</sup>                                    |
| Other items                                                | –                  | –                  | nm <sup>5</sup>          | nm <sup>5</sup>                                    | –                  | –                  | nm <sup>5</sup>          | nm <sup>5</sup>                                    | –                  | nm <sup>5</sup>          | nm <sup>5</sup>                                    |
| Statutory loss before taxation                             | (343)              | (442)              | 22                       | 16                                                 | (119)              | (223)              | 47                       | 37                                                 | (224)              | 47                       | 41                                                 |
| Total assets                                               | 9,309              | 9,139              | 2                        | 3                                                  | 9,309              | 9,139              | 2                        | 3                                                  | 9,535              | (2)                      | (2)                                                |
| Total liabilities                                          | 68,252             | 71,293             | (4)                      | (4)                                                | 68,252             | 71,293             | (4)                      | (4)                                                | 67,691             | 1                        | (1)                                                |
| Risk-weighted assets                                       | 1,086              | (3,097)            | 135                      | nm <sup>5</sup>                                    | 1,086              | (3,097)            | 135                      | nm <sup>5</sup>                                    | 2,613              | (58)                     | nm <sup>5</sup>                                    |
| Underlying return on risk-weighted assets (%) <sup>3</sup> | nm <sup>5</sup>    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    | nm <sup>5</sup>    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    |
| Underlying return on tangible equity (%) <sup>3</sup>      | nm <sup>5</sup>    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    | nm <sup>5</sup>    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    |
| Cost-to-income ratio (%) <sup>4</sup>                      | nm <sup>5</sup>    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    | nm <sup>5</sup>    | (141.7)            | nm <sup>5</sup>          | nm <sup>5</sup>                                    | nm <sup>5</sup>    | nm <sup>5</sup>          | nm <sup>5</sup>                                    |

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4 Change is the percentage points difference between the two periods rather than the percentage change

5 Not meaningful

## Performance highlights

- Underlying loss before tax of \$330 million compared to 1H'21 loss of \$369 million was mainly due an improvement in income and a non-repeat of prior year aircraft lease impairments

## Underlying performance by key market

|                                                        | 1H'22                  |                    |                    |                     |                        |                    |                        |                  |                 |                 |
|--------------------------------------------------------|------------------------|--------------------|--------------------|---------------------|------------------------|--------------------|------------------------|------------------|-----------------|-----------------|
|                                                        | Hong Kong<br>\$million | Korea<br>\$million | China<br>\$million | Taiwan<br>\$million | Singapore<br>\$million | India<br>\$million | Indonesia<br>\$million | UAE<br>\$million | UK<br>\$million | US<br>\$million |
| Operating income                                       | 1,737                  | 609                | 599                | 236                 | 875                    | 677                | 111                    | 305              | 773             | 533             |
| Operating expenses                                     | (1,011)                | (369)              | (414)              | (172)               | (528)                  | (372)              | (87)                   | (175)            | (363)           | (295)           |
| Operating profit before impairment losses and taxation | 726                    | 240                | 185                | 64                  | 347                    | 305                | 24                     | 130              | 410             | 238             |
| Credit impairment                                      | (306)                  | (9)                | (99)               | (7)                 | 25                     | (1)                | 1                      | 57               | 14              | 7               |
| Other impairment                                       | (1)                    | –                  | (1)                | –                   | –                      | (1)                | –                      | –                | 13              | –               |
| Profit from associates and joint ventures              | –                      | –                  | 157                | –                   | –                      | –                  | –                      | –                | –               | –               |
| Underlying profit before taxation                      | 419                    | 231                | 242                | 57                  | 372                    | 303                | 25                     | 187              | 437             | 245             |
| Total assets employed                                  | 170,036                | 65,985             | 38,548             | 22,780              | 95,651                 | 30,613             | 5,492                  | 20,929           | 213,255         | 61,700          |
| Of which: loans and advances to customers <sup>1</sup> | 84,187                 | 43,499             | 16,688             | 11,227              | 58,445                 | 16,624             | 1,938                  | 9,351            | 43,445          | 19,179          |
| Total liabilities employed                             | 161,158                | 56,681             | 33,636             | 21,889              | 99,231                 | 22,862             | 4,346                  | 16,472           | 150,249         | 77,142          |
| Of which: customer accounts <sup>1</sup>               | 133,000                | 43,900             | 24,159             | 18,915              | 71,765                 | 14,621             | 2,815                  | 12,330           | 95,933          | 35,475          |
| Underlying return on tangible equity (%)               | 9.5                    | 14.9               | 11.3               | 12.0                | 15.7                   | 14.4               | 7.8                    | 16.5             | 13.8            | 17.2            |
| Cost to income ratio (%)                               | 58.2                   | 60.6               | 69.1               | 72.9                | 60.3                   | 54.9               | 78.4                   | 57.4             | 47.0            | 55.3            |

|                                                        | 1H'21                  |                    |                    |                     |                        |                    |                        |                  |                 |                 |
|--------------------------------------------------------|------------------------|--------------------|--------------------|---------------------|------------------------|--------------------|------------------------|------------------|-----------------|-----------------|
|                                                        | Hong Kong<br>\$million | Korea<br>\$million | China<br>\$million | Taiwan<br>\$million | Singapore<br>\$million | India<br>\$million | Indonesia<br>\$million | UAE<br>\$million | UK<br>\$million | US<br>\$million |
| Operating income                                       | 1,844                  | 580                | 569                | 258                 | 818                    | 613                | 109                    | 276              | 484             | 389             |
| Operating expenses                                     | (970)                  | (387)              | (364)              | (174)               | (523)                  | (348)              | (90)                   | (179)            | (340)           | (280)           |
| Operating profit before impairment losses and taxation | 874                    | 193                | 205                | 84                  | 295                    | 265                | 19                     | 97               | 144             | 109             |
| Credit impairment                                      | (42)                   | 8                  | (24)               | 3                   | 69                     | 19                 | (6)                    | 28               | 25              | 14              |
| Other impairment                                       | (16)                   | –                  | –                  | –                   | –                      | –                  | –                      | –                | 30              | –               |
| Profit from associates and joint ventures              | –                      | –                  | 135                | –                   | –                      | –                  | –                      | –                | –               | –               |
| Underlying profit before taxation                      | 816                    | 201                | 316                | 87                  | 364                    | 284                | 13                     | 125              | 199             | 123             |
| Total assets employed                                  | 172,431                | 66,476             | 39,738             | 22,902              | 88,779                 | 28,882             | 4,877                  | 18,961           | 180,913         | 64,471          |
| Of which: loans and advances to customers <sup>1</sup> | 86,230                 | 43,537             | 18,499             | 11,562              | 56,440                 | 14,611             | 2,058                  | 9,998            | 48,283          | 16,733          |
| Total liabilities employed                             | 162,983                | 57,206             | 34,658             | 21,848              | 86,302                 | 20,674             | 3,567                  | 13,856           | 130,551         | 69,891          |
| Of which: customer accounts <sup>1</sup>               | 133,956                | 45,637             | 25,635             | 20,439              | 66,750                 | 14,819             | 2,523                  | 11,012           | 76,725          | 39,189          |
| Underlying return on tangible equity (%)               | 19.1                   | 10.3               | 14.9               | 17.4                | 14.4                   | 11.1               | 3.4                    | 10.3             | 6.5             | 8.9             |
| Cost to income ratio (%)                               | 52.6                   | 66.7               | 64.0               | 67.4                | 63.9                   | 56.8               | 82.6                   | 64.9             | 70.2            | 72.0            |

<sup>1</sup> Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

## Quarterly underlying operating income by product

|                                               | 2Q'22<br>\$million | 1Q'22<br>\$million | 4Q'21<br>\$million | 3Q'21<br>\$million | 2Q'21<br>\$million | 1Q'21<br>\$million | 4Q'20<br>\$million | 3Q'20<br>\$million |
|-----------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Transaction Banking                           | 835                | 740                | 730                | 734                | 709                | 713                | 707                | 721                |
| Trade & Working Capital <sup>1,2</sup>        | 343                | 362                | 348                | 389                | 363                | 347                | 304                | 311                |
| Cash Management                               | 492                | 378                | 382                | 345                | 346                | 366                | 403                | 410                |
| Financial Markets <sup>2</sup>                | 1,373              | 1,723              | 1,012              | 1,311              | 1,268              | 1,308              | 949                | 1,178              |
| Macro Trading                                 | 664                | 940                | 433                | 540                | 571                | 672                | 435                | 517                |
| Credit Markets <sup>2</sup>                   | 374                | 460                | 361                | 516                | 484                | 429                | 404                | 458                |
| Credit Trading                                | 87                 | 110                | 60                 | 144                | 102                | 131                | 119                | 129                |
| Financing Solutions & Issuance <sup>2</sup>   | 287                | 350                | 301                | 372                | 382                | 298                | 285                | 329                |
| Structured Finance <sup>2</sup>               | 102                | 94                 | 104                | 159                | 128                | 100                | 102                | 101                |
| Financing & Securities Services               | 198                | 144                | 97                 | 97                 | 86                 | 107                | 77                 | 124                |
| DVA                                           | 35                 | 85                 | 17                 | (1)                | (1)                | –                  | (69)               | (22)               |
| Lending & Portfolio Management <sup>1,2</sup> | 136                | 146                | 184                | 214                | 188                | 173                | 168                | 178                |
| Wealth Management                             | 458                | 530                | 466                | 559                | 554                | 646                | 442                | 572                |
| Retail Products                               | 955                | 849                | 835                | 828                | 846                | 849                | 848                | 859                |
| CCPL & other unsecured lending                | 313                | 305                | 316                | 316                | 320                | 320                | 303                | 309                |
| Deposits                                      | 363                | 248                | 213                | 205                | 209                | 233                | 271                | 301                |
| Mortgage & Auto                               | 235                | 247                | 261                | 260                | 268                | 247                | 234                | 211                |
| Other Retail Products                         | 44                 | 49                 | 45                 | 47                 | 49                 | 49                 | 40                 | 38                 |
| Treasury                                      | 205                | 317                | 155                | 149                | 137                | 257                | 92                 | 40                 |
| Other <sup>2</sup>                            | (36)               | (31)               | (52)               | (30)               | (13)               | (17)               | (7)                | (29)               |
| Total underlying operating income             | 3,926              | 4,274              | 3,330              | 3,765              | 3,689              | 3,929              | 3,199              | 3,519              |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

2 Income related to Group Special Asset Management, the Group's specialist recovery unit previously reported in other products has been allocated to the relevant products. Prior periods have been re-presented and there is no change in total income

## Earnings per ordinary share

|                                                                     | 1H'22<br>\$million | 1H'21<br>\$million | Change<br>%     | 2Q'22<br>\$million | 2Q'21<br>\$million | Change<br>%     | 1Q'22<br>\$million | Change<br>%     |
|---------------------------------------------------------------------|--------------------|--------------------|-----------------|--------------------|--------------------|-----------------|--------------------|-----------------|
| Profit for the period attributable to equity holders                | 2,088              | 1,928              | 8               | 909                | 829                | 10              | 1,179              | (23)            |
| Non-controlling interest                                            | 1                  | (14)               | nm <sup>1</sup> | 4                  | (6)                | nm <sup>1</sup> | (3)                | nm <sup>1</sup> |
| Dividend payable on preference shares and AT1 classified as equity  | (216)              | (196)              | (10)            | (94)               | (132)              | 29              | (121)              | 22              |
| Profit for the period attributable to ordinary shareholders         | 1,873              | 1,718              | 9               | 819                | 691                | 19              | 1,055              | (22)            |
| Items normalised:                                                   |                    |                    |                 |                    |                    |                 |                    |                 |
| Restructuring                                                       | 45                 | 123                | (63)            | 37                 | 90                 | (59)            | 8                  | nm <sup>1</sup> |
| Tax on normalised items                                             | (8)                | (15)               | 47              | (5)                | (8)                | 38              | (3)                | (67)            |
| Underlying profit                                                   | 1,910              | 1,826              | 5               | 851                | 773                | 10              | 1,060              | (20)            |
| Basic – Weighted average number of shares (millions)                | 3,014              | 3,133              | nm <sup>1</sup> | 3,014              | 3,121              | nm <sup>1</sup> | 3,047              | nm <sup>1</sup> |
| Diluted - Weighted average number of shares (millions)              | 3,069              | 3,185              | nm <sup>1</sup> | 3,069              | 3,169              | nm <sup>1</sup> | 3,098              | nm <sup>1</sup> |
| Basic earnings per ordinary share (cents) <sup>2</sup>              | 62.1               | 54.8               | 7.3             | 27.2               | 22.1               | 5.1             | 34.6               | (7.5)           |
| Diluted earnings per ordinary share (cents) <sup>2</sup>            | 61.0               | 53.9               | 7.1             | 26.7               | 21.8               | 4.9             | 34.1               | (7.4)           |
| Underlying basic earnings per ordinary share (cents) <sup>2</sup>   | 63.4               | 58.3               | 5.1             | 28.2               | 24.8               | 3.5             | 34.8               | (6.6)           |
| Underlying diluted earnings per ordinary share (cents) <sup>2</sup> | 62.2               | 57.3               | 4.9             | 27.7               | 24.4               | 3.3             | 34.2               | (6.5)           |

1 Not meaningful

2 Change is the percentage points difference between the two periods rather than the percentage change

## Return on Tangible Equity

|                                                                                     | 1H'22<br>\$million | 1H'21 <sup>3</sup><br>\$million | Change<br>%     | 2Q'22<br>\$million | 2Q'21 <sup>3</sup><br>\$million | Change<br>%     | Q1'22 <sup>3</sup><br>\$million | Change<br>%     |
|-------------------------------------------------------------------------------------|--------------------|---------------------------------|-----------------|--------------------|---------------------------------|-----------------|---------------------------------|-----------------|
| Average parent company Shareholders' Equity                                         | 45,106             | 46,242                          | (2)             | 44,617             | 46,460                          | (4)             | 45,595                          | (2)             |
| Less Preference share premium                                                       | (1,494)            | (1,494)                         | —               | (1,494)            | (1,494)                         | —               | (1,494)                         | —               |
| Less Average intangible assets                                                      | (5,503)            | (5,098)                         | (8)             | (5,519)            | (5,129)                         | (8)             | (5,487)                         | (1)             |
| Average Ordinary Shareholders' Tangible Equity                                      | 38,109             | 39,650                          | (4)             | 37,604             | 39,837                          | (6)             | 38,614                          | (3)             |
| Profit/(loss) for the period attributable to equity holders                         | 2,088              | 1,928                           | 8               | 909                | 829                             | 10              | 1,179                           | (23)            |
| Non-controlling interests                                                           | 1                  | (14)                            | nm <sup>1</sup> | 4                  | (6)                             | nm <sup>1</sup> | (3)                             | nm <sup>1</sup> |
| Dividend payable on preference shares and AT1 classified as equity                  | (216)              | (196)                           | (10)            | (94)               | (132)                           | 29              | (121)                           | 22              |
| Profit/(loss) for the period attributable to ordinary shareholders                  | 1,873              | 1,718                           | 9               | 819                | 691                             | 19              | 1,055                           | (22)            |
| Items normalised:                                                                   |                    |                                 |                 |                    |                                 |                 |                                 |                 |
| Restructuring                                                                       | 45                 | 123                             | (63)            | 37                 | 90                              | (59)            | 8                               | nm <sup>1</sup> |
| Ventures FVOCI unrealised gains/(losses) net of tax                                 | (9)                | 116                             | nm <sup>1</sup> | (15)               | 20                              | nm <sup>1</sup> | 6                               | nm <sup>1</sup> |
| Tax on normalised items                                                             | (8)                | (15)                            | 47              | (5)                | (8)                             | 38              | (3)                             | (67)            |
| Underlying profit for the period attributable to ordinary shareholders <sup>2</sup> | 1,901              | 1,942                           | (2)             | 836                | 793                             | 5               | 1,066                           | (22)            |
| Underlying Return on Tangible Equity                                                | 10.1%              | 9.9%                            | 20bps           | 8.9%               | 8.0%                            | 90bps           | 11.2%                           | (230)bps        |
| Statutory Return on Tangible Equity                                                 | 9.9%               | 8.7%                            | 120bps          | 8.7%               | 7.0%                            | 170bps          | 11.1%                           | (240)bps        |

1 Not meaningful

2 Includes unrealised gains/(losses) from Ventures FVOCI

3 Comparatives have been restated to include unrealised gains/(losses) from Ventures FVOCI

## Net Tangible Asset Value per Share

|                                                           | 30.06.22<br>\$million | 30.06.21<br>\$million | Change<br>% | 31.12.21<br>\$million | Change<br>% | 31.03.22<br>\$million | Change<br>% |
|-----------------------------------------------------------|-----------------------|-----------------------|-------------|-----------------------|-------------|-----------------------|-------------|
| Parent company shareholders' equity                       | 44,055                | 46,752                | (6)         | 46,011                | (4)         | 45,178                | (2)         |
| Less Preference share premium                             | (1,494)               | (1,494)               | —           | (1,494)               | —           | (1,494)               | —           |
| Less Intangible assets                                    | (5,537)               | (5,187)               | (7)         | (5,471)               | (1)         | (5,502)               | (1)         |
| Net shareholders tangible equity                          | 37,024                | 40,071                | (8)         | 39,046                | (5)         | 38,182                | (3)         |
| Ordinary shares in issue, excluding own shares (millions) | 2,967                 | 3,119                 | (5)         | 3,057                 | (3)         | 2,993                 | (1)         |
| Net Tangible Asset Value per share (cents) <sup>1</sup>   | 1,248                 | 1,285                 | (37)        | 1,277                 | (29)        | 1,276                 | (28)        |

1 Change is cents difference between the two periods rather than percentage change

## Underlying versus statutory results reconciliations

Reconciliations between underlying and statutory results are set out in the tables below:

### Operating income by client segment

|                             | 1H'22                                                   |                                               |                    |                                           |                 |
|-----------------------------|---------------------------------------------------------|-----------------------------------------------|--------------------|-------------------------------------------|-----------------|
|                             | Corporate, Commercial & Institutional Banking \$million | Consumer Private & Business Banking \$million | Ventures \$million | Central & Other items (segment) \$million | Total \$million |
| Underlying operating income | 4,877                                                   | 2,871                                         | 5                  | 447                                       | 8,200           |
| Restructuring               | 25                                                      | —                                             | —                  | —                                         | 25              |
| Statutory operating income  | 4,902                                                   | 2,871                                         | 5                  | 447                                       | 8,225           |

|                             | 1H'21                                                                |                                                            |                    |                                           |                 |
|-----------------------------|----------------------------------------------------------------------|------------------------------------------------------------|--------------------|-------------------------------------------|-----------------|
|                             | Corporate, Commercial & Institutional Banking <sup>1</sup> \$million | Consumer Private & Business Banking <sup>1</sup> \$million | Ventures \$million | Central & Other items (segment) \$million | Total \$million |
| Underlying operating income | 4,292                                                                | 2,971                                                      | (3)                | 358                                       | 7,618           |
| Restructuring               | 12                                                                   | —                                                          | —                  | (2)                                       | 10              |
| Statutory operating income  | 4,304                                                                | 2,971                                                      | (3)                | 356                                       | 7,628           |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

### Operating income by region

|                             | 1H'22          |                                |                             |                                 |                 |
|-----------------------------|----------------|--------------------------------|-----------------------------|---------------------------------|-----------------|
|                             | Asia \$million | Africa & Middle East \$million | Europe & Americas \$million | Central & other items \$million | Total \$million |
| Underlying operating income | 5,522          | 1,291                          | 1,445                       | (58)                            | 8,200           |
| Restructuring               | 10             | 1                              | (1)                         | 15                              | 25              |
| Statutory operating income  | 5,532          | 1,292                          | 1,444                       | (43)                            | 8,225           |

|                             | 1H'21                       |                                |                             |                                 |                 |
|-----------------------------|-----------------------------|--------------------------------|-----------------------------|---------------------------------|-----------------|
|                             | Asia <sup>1</sup> \$million | Africa & Middle East \$million | Europe & Americas \$million | Central & other items \$million | Total \$million |
| Underlying operating income | 5,463                       | 1,250                          | 993                         | (88)                            | 7,618           |
| Restructuring               | 25                          | 2                              | —                           | (17)                            | 10              |
| Statutory operating income  | 5,488                       | 1,252                          | 993                         | (105)                           | 7,628           |

### Profit before taxation (PBT)

|                                                               | 1H'22                |                         |                     |
|---------------------------------------------------------------|----------------------|-------------------------|---------------------|
|                                                               | Underlying \$million | Restructuring \$million | Statutory \$million |
| Operating income                                              | 8,200                | 25                      | 8,225               |
| Operating expenses                                            | (5,267)              | (61)                    | (5,328)             |
| Operating profit/(loss) before impairment losses and taxation | 2,933                | (36)                    | 2,897               |
| Credit impairment                                             | (267)                | 4                       | (263)               |
| Other impairment                                              | (2)                  | (13)                    | (15)                |
| Profit from associates and joint ventures                     | 153                  | —                       | 153                 |
| Profit/(loss) before taxation                                 | 2,817                | (45)                    | 2,772               |

|                                                               | 1H'21                |                         |                     |
|---------------------------------------------------------------|----------------------|-------------------------|---------------------|
|                                                               | Underlying \$million | Restructuring \$million | Statutory \$million |
| Operating income                                              | 7,618                | 10                      | 7,628               |
| Operating expenses                                            | (5,092)              | (129)                   | (5,221)             |
| Operating profit/(loss) before impairment losses and taxation | 2,526                | (119)                   | 2,407               |
| Credit impairment                                             | 47                   | 4                       | 51                  |
| Other impairment                                              | (25)                 | (15)                    | (40)                |
| Profit from associates and joint ventures                     | 134                  | 7                       | 141                 |
| Profit/(loss) before taxation                                 | 2,682                | (123)                   | 2,559               |

## Profit before taxation (PBT) by client segment

|                                                               | 1H'22                                                         |                                                      |                       |                                       |                    |
|---------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-----------------------|---------------------------------------|--------------------|
|                                                               | Corporate, Commercial<br>& Institutional Banking<br>\$million | Consumer, Private &<br>Business Banking<br>\$million | Ventures<br>\$million | Central &<br>other items<br>\$million | Total<br>\$million |
| Operating income                                              | 4,877                                                         | 2,871                                                | 5                     | 447                                   | 8,200              |
| External                                                      | 4,581                                                         | 2,612                                                | 5                     | 1,002                                 | 8,200              |
| Inter-segment                                                 | 296                                                           | 259                                                  | —                     | (555)                                 | —                  |
| Operating expenses                                            | (2,714)                                                       | (2,071)                                              | (146)                 | (336)                                 | (5,267)            |
| Operating profit/(loss) before impairment losses and taxation | 2,163                                                         | 800                                                  | (141)                 | 111                                   | 2,933              |
| Credit impairment                                             | (196)                                                         | (79)                                                 | (3)                   | 11                                    | (267)              |
| Other impairment                                              | —                                                             | (1)                                                  | —                     | (1)                                   | (2)                |
| Profit/(loss) from associates and joint ventures              | —                                                             | —                                                    | (7)                   | 160                                   | 153                |
| Underlying profit/(loss) before taxation                      | 1,967                                                         | 720                                                  | (151)                 | 281                                   | 2,817              |
| Restructuring                                                 | (4)                                                           | (21)                                                 | (1)                   | (19)                                  | (45)               |
| Statutory profit/(loss) before taxation                       | 1,963                                                         | 699                                                  | (152)                 | 262                                   | 2,772              |

|                                                               | 1H'21                                                                      |                                                                   |                                    |                                                    |                    |
|---------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------|----------------------------------------------------|--------------------|
|                                                               | Corporate, Commercial<br>& Institutional Banking <sup>1</sup><br>\$million | Consumer, Private &<br>Business Banking <sup>1</sup><br>\$million | Ventures <sup>1</sup><br>\$million | Central &<br>other items <sup>1</sup><br>\$million | Total<br>\$million |
| Operating income                                              | 4,292                                                                      | 2,971                                                             | (3)                                | 358                                                | 7,618              |
| External                                                      | 4,087                                                                      | 2,775                                                             | (3)                                | 759                                                | 7,618              |
| Inter-segment                                                 | 205                                                                        | 196                                                               | —                                  | (401)                                              | —                  |
| Operating expenses                                            | (2,582)                                                                    | (2,025)                                                           | (118)                              | (367)                                              | (5,092)            |
| Operating profit/(loss) before impairment losses and taxation | 1,710                                                                      | 946                                                               | (121)                              | (9)                                                | 2,526              |
| Credit impairment                                             | 136                                                                        | (93)                                                              | —                                  | 4                                                  | 47                 |
| Other impairment                                              | (25)                                                                       | —                                                                 | —                                  | —                                                  | (25)               |
| Profit/(loss) from associates and joint ventures              | —                                                                          | —                                                                 | (2)                                | 136                                                | 134                |
| Underlying profit/(loss) before taxation                      | 1,821                                                                      | 853                                                               | (123)                              | 131                                                | 2,682              |
| Restructuring                                                 | (38)                                                                       | (22)                                                              | —                                  | (63)                                               | (123)              |
| Statutory profit/(loss) before taxation                       | 1,783                                                                      | 831                                                               | (123)                              | 68                                                 | 2,559              |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated



## Profit before taxation (PBT) by region

|                                                               | 1H'22             |                                      |                                |                                       |                    |
|---------------------------------------------------------------|-------------------|--------------------------------------|--------------------------------|---------------------------------------|--------------------|
|                                                               | Asia<br>\$million | Africa &<br>Middle East<br>\$million | Europe & Americas<br>\$million | Central &<br>other items<br>\$million | Total<br>\$million |
| Operating income                                              | 5,522             | 1,291                                | 1,445                          | (58)                                  | 8,200              |
| Operating expenses                                            | (3,417)           | (808)                                | (771)                          | (271)                                 | (5,267)            |
| Operating profit/(loss) before impairment losses and taxation | 2,105             | 483                                  | 674                            | (329)                                 | 2,933              |
| Credit impairment                                             | (398)             | 99                                   | 29                             | 3                                     | (267)              |
| Other impairment                                              | (2)               | (1)                                  | 1                              | –                                     | (2)                |
| Profit/(loss) from associates and joint ventures              | 157               | –                                    | –                              | (4)                                   | 153                |
| Underlying profit/(loss) before taxation                      | 1,862             | 581                                  | 704                            | (330)                                 | 2,817              |
| Restructuring                                                 | (19)              | (7)                                  | (6)                            | (13)                                  | (45)               |
| Statutory profit/(loss) before taxation                       | 1,843             | 574                                  | 698                            | (343)                                 | 2,772              |

|                                                               | 1H'21             |                                      |                                |                                       |                    |
|---------------------------------------------------------------|-------------------|--------------------------------------|--------------------------------|---------------------------------------|--------------------|
|                                                               | Asia<br>\$million | Africa &<br>Middle East<br>\$million | Europe & Americas<br>\$million | Central &<br>other items<br>\$million | Total<br>\$million |
| Operating income                                              | 5,463             | 1,250                                | 993                            | (88)                                  | 7,618              |
| Operating expenses                                            | (3,298)           | (815)                                | (725)                          | (254)                                 | (5,092)            |
| Operating profit/(loss) before impairment losses and taxation | 2,165             | 435                                  | 268                            | (342)                                 | 2,526              |
| Credit impairment                                             | (47)              | 40                                   | 62                             | (8)                                   | 47                 |
| Other impairment                                              | (15)              | –                                    | 7                              | (17)                                  | (25)               |
| Profit/(loss) from associates and joint ventures              | 136               | –                                    | –                              | (2)                                   | 134                |
| Underlying profit/(loss) before taxation                      | 2,239             | 475                                  | 337                            | (369)                                 | 2,682              |
| Restructuring                                                 | (27)              | (3)                                  | (20)                           | (73)                                  | (123)              |
| Statutory profit/(loss) before taxation                       | 2,212             | 472                                  | 317                            | (442)                                 | 2,559              |

## Return on tangible equity (RoTE)

| 1H'22                                                 |                                                          |                                             |               |                                         |            |
|-------------------------------------------------------|----------------------------------------------------------|---------------------------------------------|---------------|-----------------------------------------|------------|
|                                                       | Corporate,<br>Commercial &<br>Institutional Banking<br>% | Consumer Private &<br>Business Banking<br>% | Ventures<br>% | Central &<br>other Items (Segment)<br>% | Total<br>% |
| Underlying RoTE                                       | 12.7                                                     | 14.0                                        | nm            | 0.3                                     | 10.1       |
| Restructuring                                         |                                                          |                                             |               |                                         |            |
| Of which: Income                                      | 0.2                                                      | —                                           | —             | —                                       | 0.1        |
| Of which: Expenses                                    | (0.3)                                                    | (0.5)                                       | (2.8)         | (0.3)                                   | (0.3)      |
| Of which: Credit impairment                           | —                                                        | —                                           | —             | —                                       | —          |
| Of which: Other impairment                            | —                                                        | —                                           | —             | (0.3)                                   | (0.1)      |
| Of which: Profit from associates and joint ventures   | —                                                        | —                                           | —             | —                                       | —          |
| Ventures FVOCI unrealised gains / (losses) net of tax | —                                                        | —                                           | 25.2          | —                                       | —          |
| Tax on normalised items                               | 0.1                                                      | 0.1                                         | 0.7           | —                                       | 0.1        |
| Statutory RoTE                                        | 12.7                                                     | 13.6                                        | nm            | (0.3)                                   | 9.9        |

| 1H'21                                                 |                                                                       |                                                          |                            |                                                      |            |
|-------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------|----------------------------|------------------------------------------------------|------------|
|                                                       | Corporate,<br>Commercial &<br>Institutional Banking <sup>1</sup><br>% | Consumer Private &<br>Business Banking <sup>1</sup><br>% | Ventures <sup>1</sup><br>% | Central &<br>other Items (Segment) <sup>1</sup><br>% | Total<br>% |
| Underlying RoTE                                       | 11.2                                                                  | 15.9                                                     | nm                         | (2.6)                                                | 9.9        |
| Restructuring                                         |                                                                       |                                                          |                            |                                                      |            |
| Of which: Income                                      | 0.1                                                                   | —                                                        | —                          | (0.1)                                                | 0.1        |
| Of which: Expenses                                    | (0.4)                                                                 | (0.5)                                                    | —                          | (1.6)                                                | (0.7)      |
| Of which: Credit impairment                           | —                                                                     | —                                                        | —                          | —                                                    | —          |
| Of which: Other impairment                            | —                                                                     | —                                                        | —                          | (0.4)                                                | (0.1)      |
| Of which: Profit from associates and joint ventures   | —                                                                     | —                                                        | —                          | 0.2                                                  | —          |
| Ventures FVOCI unrealised gains / (losses) net of tax | —                                                                     | —                                                        | nm                         | —                                                    | (0.6)      |
| Tax on normalised items                               | —                                                                     | 0.1                                                      | —                          | —                                                    | 0.1        |
| Statutory RoTE                                        | 10.9                                                                  | 15.5                                                     | nm                         | (4.5)                                                | 8.7        |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

## Earnings per ordinary share (EPS)

| 6 months ended 30.06.22                                   |                          |                                                      |                             |                                                 |                                      |                                          |
|-----------------------------------------------------------|--------------------------|------------------------------------------------------|-----------------------------|-------------------------------------------------|--------------------------------------|------------------------------------------|
|                                                           | Underlying<br>\$ million | Provision for<br>regulatory<br>matters<br>\$ million | Restructuring<br>\$ million | Net gain on Sale<br>of Businesses<br>\$ million | Goodwill<br>impairment<br>\$ million | Tax on<br>normalised items<br>\$ million |
| Profit for the year attributable to ordinary shareholders | 1,910                    | —                                                    | (45)                        | —                                               | —                                    | 8                                        |
| Basic – Weighted average number of shares (millions)      | 3,014                    |                                                      |                             |                                                 |                                      |                                          |
| Basic earnings per ordinary share (cents)                 | 63.4                     |                                                      |                             |                                                 |                                      |                                          |

| 6 months ended 30.06.21                                   |                          |                                                      |                             |                                                 |                                      |                                          |
|-----------------------------------------------------------|--------------------------|------------------------------------------------------|-----------------------------|-------------------------------------------------|--------------------------------------|------------------------------------------|
|                                                           | Underlying<br>\$ million | Provision for<br>regulatory<br>matters<br>\$ million | Restructuring<br>\$ million | Net gain on Sale<br>of Businesses<br>\$ million | Goodwill<br>impairment<br>\$ million | Tax on<br>normalised items<br>\$ million |
| Profit for the year attributable to ordinary shareholders | 1,826                    | —                                                    | (123)                       | —                                               | —                                    | 15                                       |
| Basic – Weighted average number of shares (millions)      | 3,133                    |                                                      |                             |                                                 |                                      |                                          |
| Basic earnings per ordinary share (cents)                 | 58.3                     |                                                      |                             |                                                 |                                      |                                          |

## Alternative performance measures

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The following are key alternative performance measures used by the Group to assess financial performance and financial position.

| Measure                                                        | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Constant currency basis                                        | <p>A performance measure on a constant currency basis is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such:</p> <ul style="list-style-type: none"> <li>• Operating income</li> <li>• Operating expenses</li> <li>• Profit before tax</li> <li>• RWAs or Risk-weighted assets</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Underlying/Normalised                                          | <p>A performance measure is described as underlying/normalised if the statutory result has been adjusted for restructuring and other items representing 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. A reconciliation between underlying/normalised and statutory performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such:</p> <ul style="list-style-type: none"> <li>• Operating income</li> <li>• Operating expense</li> <li>• Profit before tax</li> <li>• Earnings per share (basic and diluted)</li> <li>• Cost-to-income ratio</li> <li>• Jaws</li> <li>• RoTE or Return on tangible equity</li> </ul> |
| Advances-to-deposits/customer advances-to-deposits (ADR) ratio | The ratio of total loans and advances to customers relative to total customer accounts, excluding approved balances held with central banks, confirmed as repayable at the point of stress. 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Cost-to-income ratio                                           | The proportion of total operating expenses to total operating income.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Cover ratio                                                    | The ratio of impairment provisions for each stage to the gross loan exposure for each stage.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Cover ratio after collateral/cover ratio including collateral  | The ratio of impairment provisions for stage 3 loans and realisable value of collateral held against these non-performing loan exposures to the gross loan exposure of stage 3 loans.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Gross yield                                                    | Statutory interest income divided by average interest earning assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Jaws                                                           | The difference between the rates of change in revenue and operating expenses. Positive jaws occurs when the percentage change in revenue is higher than, or less negative than, the corresponding rate for operating expenses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Loan loss rate                                                 | Total credit impairment for loans and advances to customers over average loans and advances to customers.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Net tangible asset value per share                             | Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Net yield                                                      | Gross yield less rate paid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| NIM or Net interest margin                                     | Net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business, divided by average interest-earning assets excluding financial assets measured at fair value through profit or loss.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| RAR per FTE or Risk adjusted revenue per full-time equivalent  | Risk adjusted revenue (RAR) is defined as underlying operating income less underlying impairment over the past 12 months. RAR is then divided by the 12 month rolling average full-time equivalent (FTE) to determine RAR per FTE.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Rate paid                                                      | Statutory interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| RoE or Return on equity                                        | The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value movements through other comprehensive income relating to the Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| RoTE or Return on ordinary shareholders' tangible equity       | The ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average tangible equity, being ordinary shareholders' equity less the average goodwill and intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Underlying RoTE                                                | The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value on OCI equity movement relating to Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| TSR or Total shareholder return                                | The total return of the Group's equity (share price growth and dividends) to investors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## Group Chief Risk Officer's review

### "Staying vigilant in the face of volatile global markets"

The first half of 2022 has been a challenging period from a macroeconomic and geopolitical perspective driven by the ongoing Russia/Ukraine war. The Group has limited direct exposure to Russia and Ukraine. However, we are managing risks that we face through indirect exposure and second order impact, such as increased energy and food prices or disrupted gas supplies for our clients, the impact from sanctions on asset values and investments some of our clients have in Russia. We are also managing the increase in traded risks following increased volatility in other markets especially credit and commodities. Regular stress tests were performed during the first half of 2022 to assess the impact of the war across the Group's portfolio. We have established a Russia/Ukraine Crisis Monitoring Group to consider all aspects of the crisis and how direct and indirect risks to the Group can be mitigated.

In China, new waves of the COVID-19 pandemic saw cities being locked down, impacting global supply chains, global economic recovery and market volatility across a number of sectors including China Commercial real estate. Amid rising inflationary pressures, slower than expected post-pandemic recovery and recession risks, central banks are increasingly coming under pressure to raise interest rates to reduce inflation. The longer-term impact of the pandemic, exacerbated by the ongoing Russia/Ukraine war and elevated global commodity prices, has led to growing pressure on sovereign ratings. Sri Lanka defaulted in April 2022, which culminated in the suspension of its public foreign currency debt repayments. Sovereigns with large fiscal deficits and high stocks of public debt are exposed to higher borrowing costs, making it more challenging to reduce debt burdens and improve fiscal positions. In some cases, borrowing costs may become prohibitive for emerging market sovereigns to issue new debt. The risk of further sovereign rating downgrades and the potential for additional default events are being closely monitored and actively managed by the Group.

For our Consumer Banking business, consumer affordability in the wake of rising interest rates is a key area of focus. We have conducted interest rate sensitivity analysis on our residential mortgage portfolio. For our Credit Card and Personal Loans portfolio, we are monitoring Consumer Price Inflation impact and vulnerability to commodity supply chain issues across our markets to identify areas that have been impacted by inflationary pressures, mainly arising from the Russia/Ukraine war. Where appropriate, we have tightened underwriting to incorporate stricter income requirements. We will continue to monitor the markets and portfolio performance data for signs of deterioration and identify segments for targeted actions.

We continue to scan the horizon for emerging and topical risks and collaborate with internal and external partners to proactively mitigate risks as they are identified. Further details on how we manage emerging and topical risks can be found below.

Asset quality has been maintained though we remain vigilant in the face of volatile global markets. We continue to demonstrate resilience as evidenced by strong capital and liquidity metrics. As a result of the changes in internal and external operating environment due in part to the COVID-19 pandemic and Russia/Ukraine war, non-financial risks areas such as Fraud, Data Management, Information and Cyber Security, Third Party, Technology, People and Change Management remain heightened. We continue to enhance our operational resilience and defences against these risks through vigorous improvement programmes. We are also working to ensure a successful transition from the Interbank Offered Rate (IBOR) to alternative risk-free rates.

On 10 June 2022, the Group and other major UK banks published their resolvability disclosures, alongside the Bank of England's public assessment of the industry's preparations for resolution. The Bank of England's overall conclusion was that the major UK banks could now enter resolution safely and that the 'too big to fail' problem has been overcome for these banks. No deficiencies were identified by the Bank of England on the Group's resolution capability but there were some shortcomings and areas for further enhancements which the Group is focusing on.

Digitalisation and technological development remain key items on the Group's agenda. We continue to ensure that our control frameworks and Risk Appetite evolve accordingly to keep pace with new business developments and asset classes.

In 2021, we defined three Stands to use our unique ability to work across boundaries and connect capital, people, ideas and best practices to help address some key socio-economic challenges of our time. Accelerating Zero is one of the Stands, and our aim is to reduce the emissions associated with our financing activities to net zero by 2050, with interim 2030 targets for the most carbon-intensive sectors. We are working with public and private sector stakeholders to mobilise \$300 billion of capital to help accelerate net zero in markets where it is most needed and most impactful. We have a Transition Finance Framework to guide our clients to a low carbon pathway and specialist bankers to help them act on it, and our position statements set out our expectations and requirements from clients in relation to sustainability. We have also prioritised the integration of Environmental and Social risk management into our Reputational and Sustainability Risk Type Framework.

To support Lifting Participation, we are helping our clients by building partnerships to expand their access to financial services. For these new business initiatives, we have developed risk management and risk assessment approaches across our Principal Risk Types to address the unique risks posed by them. We further support our clients by promoting financial wellbeing through financial education and personalised services, including digitised solutions for lending and wealth management. We are also focused on driving customer awareness of environmental and sustainability concerns through green products. As part of our aim to Reset Globalisation, we believe we have a strategic role to play in equipping the Web 3-enabled economy, a concept representing the latest generation of internet applications and services powered by distributed ledger technology such as blockchain, and by taking a leading position through the thoughtful adoption of Digital Assets in support of our clients and communities. We continue to enhance and embed our Digital Assets Risk Management Program<sup>1</sup> such that digital asset activities across the Group are appropriately managed, and within our Risk Appetite.

1 These Digital Assets Risk Management Program encompasses Digital Assets Policy and associated artefacts. These artefacts include standards, guidelines, tools and templates for the assessment and management of Digital Assets risk profile across the Group.

+ Read more about our three Stands in the full Annual Report. Further details on our overall approach to net zero can be found at [sc.com/netzero](https://sc.com/netzero)

### [An update on our key risk priorities](#)

2022 continued to present a challenging risk landscape, however we faced this from an intrinsically strong position. Our risk management approach is at the heart of our business and is core to us achieving sustainable growth and performance. We have made progress on our key priorities, these being:

**Strengthening the Group's risk culture and conduct:** We remain committed to promoting a healthy risk culture and driving the highest standards of conduct. Both risk culture and conduct are integral components of our Enterprise Risk Management Framework (ERMF). Our ERMF sets out the guiding principles for our colleagues, enabling us to have integrated and holistic risk conversations across the Group and the three lines of defence. It underpins an enterprise level ability to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. Senior management across the Group promote a healthy risk culture by rewarding risk-based thinking (including in remuneration decisions), challenging the status quo, and creating a transparent and safe environment for employees to communicate risk concerns.

**We strive to uphold the highest standards of conduct through delivery of conduct outcomes,** acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct. More broadly, we are continuing to focus on strengthening first-line Conduct Risk ownership, drawing enhanced Conduct Risk insights through the development of better conduct analytics as part of the new Conduct Risk management approach. As Conduct Risk may arise from anywhere in the Group at any time, conduct outcomes should always be considered when material strategic decisions are made that may impact clients, investors, shareholders, counterparties, employees, markets, and competition.

**Ensuring sustainability of enhanced information and cyber security (ICS) capabilities:** We have refreshed the Group ICS Risk Strategy supporting dynamic Cyber Risk management and ensuring our Risk Appetite influences our business decisions, as we continue to embed ICS as an intrinsic part of our innovation and growth. We continue to strengthen our end-to-end ICS risk management capabilities with the deployment of the Threat Scenario-led Risk Assessment (TSRA) to business and functions, with roll-out to countries continuing to accelerate. TSRA enables far greater visibility and accountability over the risks and controls specific to those entities, based on potential impacts as a result of threats.

**Developing our internal talent pool is also vital to supporting critical ICS capabilities,** ensuring we embed diversity at the core of our mission through initiatives such as our Cyber Acceleration Programme (CAP), a mentorship programme for women comprises of a structured curriculum to develop cyber-specific knowledge and targeted mentoring from senior leaders. We are also driving the application and measurement of risk culture as applied to Information and Cyber Security, embedding culture into the ICS Risk Type Framework and continuing to evolve ICS training for the Board, Management Team and other critical colleagues.

**Embedding Climate Risk management:** Our initial work to embed Climate Risk management focused on the impact of physical and transition risks on our credit portfolio and climate-related reputational risks for clients in high emitting sectors. We have extended this to cover other relevant Principal Risk Types in H1 2022, including Traded Risk, Operational and Technology Risk, Treasury Risk and Compliance Risk. Our roadmap for integrating Climate Risk is in line with the Basel Committee's Principles for Climate-related Financial Risks published in June 2022. Climate scenario analysis across our markets, including the Bank of England's 2021 Biennial Exploratory Scenario, have helped improve our understanding in identifying key portfolios vulnerable to Climate Risk. We reached out to around 2,000 of our clients globally, to understand their transition and physical risk profiles, adaptation plans, mitigation measures and approach to disclosure, enhancing the granularity of data available for risk identification and deepening client engagement. Climate Risk assessments are now considered as part of Reputational and Sustainability transaction reviews for impacted clients in high-carbon sectors, and integrated into credit decisioning for the highest emitting sectors in Corporate, Commercial and Institutional Banking and largest markets in Consumer, Private and Business Banking. As part of our ongoing partnership with Imperial College London, we supported new climate research on the range of opportunities that exist for private investors in nature related investments. Our 2021 Task Force on Climate-related Financial Disclosures Report provides further details on the Group's progress in managing climate risks and opportunities, including the Group's net zero target by 2050.

+ More details can be found at [sc.com/sustainability](https://sc.com/sustainability) and [sc.com/tcfd](https://sc.com/tcfd)

**Managing our environmental, social and governance (ESG) risk:** In 2021, we launched the new Reputational and Sustainability Principal Risk Type incorporating Sustainability Risk into the Enterprise Risk Management Framework. Our new Risk Appetite metrics covering environmental and social (E&S) risks, as well as Modern Slavery risks in our supply chain, are now reported regularly to the Board and Group Management Team. We continue to invest in infrastructure and technology to keep pace with the emerging ESG regulatory obligations across our markets. Our internal Environmental and Social Risk Catalogue was applied to an E&S risk assessment which provides a view on the Group's exposure to E&S risks arising from our business activities with our clients and from our suppliers, as well as within selected functions of the Bank. This assessment has highlighted key areas of priority for E&S risks. Alongside this, we are actively defining and mapping out Governance risks already embedded across the organisation. In 2022, we are acting on the findings of the E&S risk assessment and have prioritised an enhanced review of our end-to-end controls around "Biodiversity Loss" with emphasis on both non-financial and financial risks, considering growing external focus in "Biodiversity Loss" emanating from global commitments during COP 26 and developments in the Taskforce for Nature-related Financial Disclosures. We are also creating a multi-year road map to enhance supplier selection and due diligence criteria with respect to E&S risks. This ensures that our businesses and supply chains continue to support our sustainability ambition.

As our Sustainable Finance product offerings expand across markets, we have developed robust governance measures as set out in our recent Taskforce on Climate-related Financial Disclosures report. Our approach to managing Sustainable Finance products within Reputational and Sustainability Principal Risk is based upon transparency, expertise, governance, review, challenge and verification.

+ More details can be found at [sc.com/sustainability](https://sc.com/sustainability) and [sc.com/tcfd](https://sc.com/tcfd)

**Managing Financial Crime Risk:** The Group is managing its financial crime risk within acceptable levels as assessed under the Group's risk assessment measures, including the Financial Crime Risk Type Framework, Risk and Control Self-Assessments and internal audit and assurance reviews. A number of recent regulatory censures in the industry highlight the need for ongoing vigilance in managing financial crime. To sustain the effectiveness of its financial crime programme, the Group's focus is on successfully managing increased levels of attrition in its teams, continuing to invest in technology to stay current, remaining focused on maintaining its culture and managing its conduct risks.

Russia-related sanctions have continued to escalate and are increasingly complex in nature to operationalise. Whilst the Group has limited direct exposure to Russia-related sanctions, we are critically assessing the nature of our business most exposed to sanctions, including second order impacts, to ensure we have adequate controls in light of the complexity and volume of sanctions that have been introduced since the commencement of the Russia/Ukraine war. The Group continues to partner to lead the fight against financial crime through information sharing about threats to protect clients and the wider financial system.

+ More information about the Group's commitment to fighting financial crime can be found at [sc.com/fightingfinancialcrime](https://sc.com/fightingfinancialcrime)

**Innovation – Risk and CFCC infrastructure:** Our infrastructure capabilities are key to our strategy of being a digital and data-driven second-line of defence enabling effective oversight and partnership with first-line risk management processes. This has been achieved through the integration of our risk aggregation platform with front office data providing near real-time bespoke exposure analysis for financial risks, decisioning and reporting. We have continued to improve our process efficiencies with a configurable case management framework to digitise CFCC Advisory responses to complex first-line queries, and have established an Enterprise Governance, Risk and Compliance (GRC) platform to automate the workflow across multiple processes, including Operational Risk, document management for policies and standards, business continuity, assurance, BCBS239 self assessments and peer reviews. Our model development and validation processes have been embedded into a single platform for Credit, IFRS9 and Retail model risk, enhancing the modelling process by enabling more efficient model turnaround, improved documentation for external stakeholders and a consolidated inventory across all model families. Our global employee conduct and compliance experience has been significantly improved with simplified Personal Account Dealing, Outside Business Activity and automated Insider List management in one platform, together with continued content expansion of self-service tools across 40 countries enabled by innovative Chatbot functionality. Hubs continue to be utilised for centralised specialist knowledge and delivery of data visualisation, reporting, change management, model development, validation and governance, with automation of supporting processes to reduce operational risks.

**Embedding Model Risk Management:** Throughout 2022, we have continued to focus on further developing and maintaining an effective culture that supports the application of policies and standards to improve the quality of the Bank's models. We have rolled out the Model Risk Framework across all key countries as planned, including training, inventory identification and creation of country level Risk Information Reports. The Group Model Inventory has continued to evolve in line with industry standards, with further enhancements introduced to capture more granular country information and improvements in reporting dashboards. The governance process around model issue management has been further strengthened to enhance committee awareness and oversight of key model-related issues. Significant progress has been made in implementing BCBS 239 requirements for model risk reporting. Regulatory model delivery remains a key focus area for the Group, including meeting the new modelling requirements for European Banking Authority standards and managing the cessation of IBOR as we migrate to risk free rates. Further Model Risk training roll-out is planned throughout the year as we embed awareness of Model Risk at a firm-wide level.

#### **Our risk profile and performance in 2022**

Despite the challenges of the ongoing Russia/Ukraine war and the longer-term impact of the COVID-19 pandemic, our strong foundation has helped us to sustain a good performance in the first half of 2022. This year continued to demonstrate our commitment to strong and sustainable growth, with a resilient risk profile and asset quality reflecting our robust risk management amidst the longer-term impact of the pandemic and remaining vigilant to the global effects of market volatility.

The proportion of the Group's gross loans and advances to customers in stage 1 has remained stable at \$279.1 billion or 93 per cent (2021: \$279.2 billion or 92 per cent) reflecting our continued focus on high-quality origination. Overall stage 2 gross loans and advances to customers decreased by \$4.3 billion to \$12.5 billion driven by Corporate, Commercial and Institutional Banking due to exposure reductions in Energy, Transport, telecom and utilities sectors. Stage 3 loans decreased by \$1 billion to \$7.1 billion (2021: \$8.1 billion) as a result of loan sales, upgrades and repayments in Corporate, Commercial and Institutional Banking and offset by the downgrade of foreign currency sovereign grading of Sri Lanka. Stage 3 cover ratio (excluding collateral) increased by 3 percentage points to 61 per cent (2021: 58 per cent), driven by a few material accounts that were either upgraded or sold and additional impairment on the Commercial real estate portfolio in Corporate, Commercial and Institutional Banking.

In the first half of 2022, we have seen a 36 per cent increase in early alerts exposure (2022: \$7.5 billion, 2021: \$5.5 billion), due to the volatility seen in the China Commercial real estate sector and uncertainties driven by the Russia/Ukraine war. Whilst early alerts have increased compared with December 2021, they have been on a declining trend since the spike seen in 2020 (H1 2020: \$14.4 billion) and the Group remains vigilant in view of persistent challenging conditions in some markets and sectors. Credit grade 12 balances decreased to \$0.8 billion (2021: \$1.7 billion), mainly due to repayments and outflows to non-performing loans and exposure reductions.

The percentage of investment-grade corporate exposure has also increased to 71 per cent compared with 69 per cent from December 2021, due to high-quality originations.

## Key indicators

|                                                                                           | 30.06.22 | 31.12.21 |
|-------------------------------------------------------------------------------------------|----------|----------|
| Group total business <sup>1</sup>                                                         | 298.7    | 304.1    |
| Stage 1 loans (\$ billion)                                                                | 279.1    | 279.2    |
| Stage 2 loans (\$ billion)                                                                | 12.5     | 16.8     |
| Stage 3 loans, credit-impaired (\$ billion)                                               | 7.1      | 8.1      |
| Stage 3 cover ratio                                                                       | 61%      | 58%      |
| Stage 3 cover ratio (after collateral)                                                    | 80%      | 75%      |
| Corporate, Commercial & Institutional Banking                                             |          |          |
| Investment grade corporate net exposures as a percentage of total corporate net exposures | 71%      | 69%      |
| Early alert portfolio net exposures (\$ billion)                                          | 7.5      | 5.5      |
| Credit grade 12 balances (\$ billion)                                                     | 0.8      | 1.7      |
| Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital                | 66%      | 61%      |
| Collateralisation of sub-investment grade net exposures maturing in more than one year    | 47%      | 49%      |
| Consumer, Private and Business Banking                                                    |          |          |
| Loan-to-value ratio of Consumer, Private & Business Banking mortgages                     | 42%      | 41%      |

1 These numbers represent total gross loans and advances to customers

The Group's ongoing credit impairment was a net charge of \$267 million compared to a net release of \$47 million in the same period last year. The increase was driven by stage 3 impairment charge primarily from the additional impairment on China Commercial real estate exposures of \$237 million, offset by releases across a number of clients in Corporate, Commercial and Institutional Banking. There was also a net charge of \$70 million from the downgrade of foreign currency sovereign grading of Sri Lanka in the first half of the year, including an overlay of \$42 million reflecting recent political and economic events. Consumer, Private and Business Banking has seen stage 1 and 2 charges of \$43 million and stage 3 charge of \$36 million. Stage 1 and 2 charges were driven by revised macroeconomic outlook, relatively higher delinquencies in Hong Kong and China following COVID-19 lockdowns and a \$21 million increase in the post model adjustment for multiple economic scenarios. Stage 3 charge was driven by charge-offs that have normalised from elevated levels following the end of moratoria relief programmes in a number of markets and the benefit observed from a \$14 million release of the COVID-19 management overlay. Ventures is a net charge of \$3 million mainly from increase in stage 1 lending in Mox.

## Credit impairment

|                                                            | 6 months ended<br>30.06.22<br>\$million | 6 months ended<br>30.06.21<br>\$million <sup>1</sup> |
|------------------------------------------------------------|-----------------------------------------|------------------------------------------------------|
| Corporate, Commercial & Institutional Banking <sup>1</sup> | 196                                     | (136)                                                |
| Consumer, Private & Business Banking                       | 79                                      | 93                                                   |
| Ventures                                                   | 3                                       | –                                                    |
| Central & other items                                      | (11)                                    | (4)                                                  |
| Credit impairment charge/(release)                         | 267                                     | (47)                                                 |
| Restructuring business portfolio                           | (4)                                     | (4)                                                  |
| Total credit impairment charge/(release)                   | 263                                     | (51)                                                 |

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

Average Group Value at Risk (VaR) in the first half of 2022 was 34 per cent higher than the previous six months at \$50.5 million (H2 2021: \$37.8 million) and 30 per cent lower than the first half of 2021 (H1 2021: \$72.4 million). The increase in total average VaR was driven by extreme market volatility following the Russia/Ukraine war which impacted Commodity prices in particular energy markets. Trading activities have remained relatively unchanged, and client driven. There were three regulatory VaR backtesting negative exceptions in the first half of 2022 and six Group exceptions in the previous 250 business days.

Our Group liquidity coverage ratio (LCR) is 142 per cent (2021: 143 per cent ) with a surplus to both Risk Appetite and regulatory requirements. The Group's advances-to-deposits ratio has increased from 59.1 per cent to 59.6 per cent, mainly driven by a reduction in customer deposits and customer loans and advances.

Our Common Equity Tier 1 (CET1) ratio is 13.9 per cent (2021: 14.1 per cent). Further details can be found in the Capital Review section.

> Further details of the risk performance for the first six months of 2022 are set out in the Risk profile section



## An update on our risk management approach

Our Enterprise Risk Management Framework (ERMF) outlines how we manage risk across the Group, as well as at branch and subsidiary level<sup>1</sup>. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification.

### Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF, which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. In addition to Principal Risk Types (PRTs), the Group is exposed to certain Integrated Risks that are significant in nature and materialise primarily through the relevant PRTs. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's principal and integrated risks and how these are managed. The principal risks have not changed in the first half of the year and further details can be found on pages 258 to 279 of our 2021 Annual Report.

| Principal Risk Types                 | How these are managed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Credit Risk                          | The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Traded Risk                          | The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group's franchise                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Treasury Risk                        | The Group should maintain sufficient level, composition or distribution of capital, own funds and eligible liabilities to support the Group's activities under normal environments and stressed conditions. It should have sufficient stable or diverse sources of funding to meet its contractual and contingent obligations as they fall due. The Group should also maintain an interest rate profile ensuring that the reduction in earnings or economic value due to movements in interest rates on the banking book (non-traded) does not cause material damage to the Group's franchise. In addition, the Group needs to ensure that it maintains sufficient funding of its Pension plan or other long term benefit obligation to avoid material damage to the Group's franchise |
| Operational and Technology Risk      | The Group aims to control Operational and Technology Risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Information and Cyber Security Risk  | The Group seeks to minimise ICS Risk from threats to the Group's most critical information assets and systems, and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Compliance Risk                      | The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Financial Crime Risk                 | The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Model Risk                           | The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, while accepting model uncertainty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Reputational and Sustainability Risk | The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm                                                                                                                                                                                                                                                                                                                                                                                                  |

| Integrated Risk Types | How these are managed                                                                                                                                                                                                               |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Climate Risk          | The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement |
| Digital Asset Risk    | This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types                                                                                                                              |
| Third-Party Risk      | This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types                                                                                                                              |

<sup>1</sup> The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

### Emerging and Topical Risks

Emerging and Topical Risks (ETRs) refer to the unpredictable and uncontrollable events with the potential to impact our business materially or events that may have emerged but are still evolving rapidly. As part of our continuous risk identification process, we have updated the Group's ETRs from those disclosed in the 2021 Annual Report.

The key changes to the ETRs since the 2021 Annual Report are as follows.

- The Russia/Ukraine war is a key new topic and a driver of multiple other ETRs with mitigating actions described under the ETR titled "Prolonged Russian invasion and impacts on markets".
- "Global ramifications of a China economic downturn" is introduced as a new key risk topic as well, considering a combination of heightened risk factors on supply chain disruptions arising from the zero COVID-19 policy.
- "Crystallisation of inflation fears" has been broadened to "Taming global inflation and stagflation risk" to acknowledge that it has already manifested in many economies around the world, uncertainties around the responses and the rising risks of stagflation if central banks overreact.

- “Supply chain dislocations” has been renamed as “Supply chain dislocations and resilience” due to the continuing impacts of the COVID-19 pandemic, supply shortages, the impact of Russia/Ukraine war, and the push for sustainable alternatives.
- “Expanding stakeholder expectations for environmental, social and corporate governance” has been updated as “Environmental, social and governance (“ESG”) stakeholder expectations” to address increasing stakeholder expectations in ESG in general.
- “Social unrest” and “Adapting to endemic COVID-19 and a K-shaped recovery” are no longer presented as independent ETRs; rather, we assess them mostly under other areas such as “Emerging Markets sovereign risk” and “ESG stakeholder expectations”.

The table below summarises our current list of ETRs, outlining the risk trend changes since the end of 2021, the reasons for any changes and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as identified by senior management. The list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them but shows how the Group seeks to mitigate or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to address the risk based on its impact on the Group.

| Emerging and Topical Risks                   | Risk trend since 2021 <sup>1</sup> | Key risk trend drivers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | How these are mitigated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expanding array of global tensions           | ↑                                  | <ul style="list-style-type: none"> <li>• The Russia/Ukraine war has catalysed a fundamental shift in power dynamics with a demarcation of underlying political alliances. The nature of any resolution to the crisis will shape the global world order for the foreseeable future and influence other future acts of geopolitical aggression.</li> <li>• Escalating tensions are reshaping globalisation and may fuel a further increase in nationalistic and protectionist policy and rhetoric.</li> <li>• Relations between China and a number of other developed markets particularly the US remains fragile, with sanctions being imposed by both sides.</li> <li>• The US is also experiencing internal political instability.</li> <li>• Rivalry between the US and China can have structural operational and strategic impacts on business models for companies that straddle both.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• The Group is closely monitoring and assessing the impact on our business.</li> <li>• Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of the Group’s stress scenarios. These stress tests provide visibility to key vulnerabilities so that management can implement timely interventions.</li> <li>• Detailed portfolio reviews are conducted on an ongoing basis, and action taken where necessary.</li> <li>• The Group remains vigilant in monitoring geopolitical relationships. Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions.</li> <li>• The Group carries out tail risk analyses specifically on commodities trading.</li> </ul> |
| Taming global inflation and stagflation risk | ↑                                  | <ul style="list-style-type: none"> <li>• Inflation is now a global concern with markets seeing the highest levels in decades. The easing of COVID-19 restrictions has created a surge in demand as developed market economies have reopened, and labour supply shortages have compounded price pressures. The Russia/Ukraine war has put further pressure on prices, particularly for commodities, food and fuel, prompting a cost-of-living crisis across the globe.</li> <li>• Monetary tightening has commenced in several markets, although significant uncertainty remains around the pace and size of future interest rate hikes. As fiscal and monetary support is withdrawn and countries raise rates, there is an elevated risk of widespread and disorderly price corrections for some asset classes. Monetary tightening also introduces the risk of stagflation where economic growth is muted but inflation persists.</li> <li>• An increase in prices of essential goods such as energy and food is likely to prompt a cost-of-living crisis across both developed and emerging markets. This has already sparked social unrest in some countries. There is heightened risk in emerging markets which experience disproportionate declines in disposable income because of non-discretionary price increases.</li> <li>• Rapid monetary tightening in the US may lead to US dollar appreciation versus other developed and emerging market currencies, and other central banks may be forced to follow suit despite local conditions being less favourable. This may lead to increased delinquencies.</li> </ul> | <ul style="list-style-type: none"> <li>• Scenarios are developed to examine the impacts of a rapid build-up in inflationary pressures and commodity supply shocks around the world.</li> <li>• Sovereign ratings, outlooks and country risk limits are regularly monitored.</li> <li>• Stagflation scenario analysis is also performed on the mortgage portfolio in our key markets.</li> <li>• Detailed portfolio reviews are conducted on an ongoing basis, and actions are taken where necessary. Sensitive sectors are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews.</li> </ul>                                                                                                                                                               |

| Emerging and Topical Risks                        | Risk trend since 2021 <sup>1</sup> | Key risk trend drivers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | How these are mitigated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Global ramifications of a China economic downturn | ↑                                  | <ul style="list-style-type: none"> <li>An economic downturn in China and the zero COVID-19 policy could have global ramifications.</li> <li>The zero-COVID-19 policy is contributing to a reduction in China's GDP forecast in 2022 and exacerbating supply chain bottlenecks.</li> <li>The Group is exposed to downturns in China, with turbulence in the property development sector and targeted legislation for specific industries such as education, technology and real estate.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>The Group is closely monitoring and assessing the impact on our business</li> <li>Sharp slowdowns in China, and more broadly, world trade and global growth are a feature of Group stress scenarios. These stress tests provide visibility to key vulnerabilities so that management can implement timely interventions. As part of these stress tests, a severe stress in the global economy associated with a sharp slowdown is assessed.</li> <li>Sectors which exhibit high supply chain pressure and vulnerability are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews.</li> </ul>                                                                                                                                                    |
| Prolonged Russian invasion and impacts on markets | ↑                                  | <ul style="list-style-type: none"> <li>The EU, UK and the US, in a coordinated effort with several other countries, have imposed a range of sanctions on Russia and various related parties. The geopolitical dynamics, regulatory complexity across multiple jurisdictions and the rapid pace of change creates an extraordinary situation that may have an impact on the Group's business and operations.</li> <li>Global commodity markets have been affected ranging from energy to metals, agriculture and food. Elevated commodity prices will depress GDP growth, especially in developing markets which are net importers of oil or food.</li> <li>The crisis could escalate, resulting in further geopolitical instability, trade restrictions, disruptions to global supply chains and settlement of outstanding Rouble FX transactions, increases in commodities and energy prices with knock-on global inflationary impacts, and a potential downturn in the global economy.</li> <li>The crisis and the response to it have also provided a flashpoint for demonstrations and civil reaction across the world.</li> </ul>                                                                                                      | <ul style="list-style-type: none"> <li>The Group's direct exposure to the region is limited.</li> <li>We have established a Russia/Ukraine Crisis Monitoring Group to consider all aspects of the crisis and how direct and indirect risks to the Group can be mitigated.</li> <li>The Group monitors developments at regional and country level to detect adverse horizon risks.</li> <li>Stress tests are carried out to model the impact of commodity price shocks and stagflation.</li> </ul>                                                                                                                                                                                                                                                                                                                                       |
| Energy security                                   | ↑                                  | <ul style="list-style-type: none"> <li>Increased industrial demand post COVID-19 and an accelerated transition to cleaner energy sources have put a strain on supply lines.</li> <li>This came against a backdrop of increased tensions between nations as power shifts towards energy exporters, and energy security decreases across developed and emerging markets alike. The threat started to manifest in early 2022 when Russia began to threaten the energy supply to the Eurozone.</li> <li>Rising energy prices accompanied by potential supply shortfalls may cause a rise in social unrest, especially in emerging and developing countries where there is high dependence on imports.</li> <li>Rising material costs will also impact renewable energy, potentially slowing the transition.</li> <li>In the wake of the Russia/Ukraine war, a trade-off between pragmatism and environmentalism has started to become apparent. Policymakers have to balance fuel supply and price pressures with climate goals and rollbacks of some green policies have started to occur in some developed economies.</li> <li>The Group's plans for sustainable finance business growth could be slower to execute than intended.</li> </ul> | <ul style="list-style-type: none"> <li>As part of our stress tests, several scenarios were developed including one focused on oil shocks and another on geopolitical tensions and dislocations in commodity markets.</li> <li>Sectors which exhibit high supply chain pressure and vulnerability are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews.</li> <li>Sovereign ratings, outlooks and country risk limits are regularly monitored with periodic updates to senior management.</li> <li>The Group is implementing a Climate Risk work plan and aims to embed Climate Risk across all relevant Principal Risk Types in 2022. This includes scenario analysis and stress testing capability to understand financial risks and opportunities from climate change.</li> </ul> |

| Emerging and Topical Risks              | Risk trend since 2021 <sup>1</sup> | Key risk trend drivers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | How these are mitigated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging Markets sovereign risk         | ↑                                  | <ul style="list-style-type: none"> <li>COVID-19 has caused liquidity and potential solvency issues for some of the world's poorest countries, with several negative sovereign ratings observed.</li> <li>The uneven recovery from COVID-19 remains a risk factor, with emerging markets being further squeezed by local currency depreciation, escalating oil and food prices, and the extended impact on key industries such as tourism.</li> <li>Tightening of financial conditions in developed markets may lead to local currency depreciations against the US dollar, increasing debt reserving costs. There is heightened risk in emerging markets which experience disproportionate declines in disposable income.</li> <li>For some countries with fragile governance frameworks, there is a heightened risk of failure to manage social demands which might culminate in regime change. Furthermore, food and energy security challenges have the potential to drive other social impacts such as increased migration.</li> </ul> | <ul style="list-style-type: none"> <li>Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed.</li> <li>We conduct stress tests and portfolio reviews at a Group, country, and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly.</li> <li>We actively utilise Credit Risk mitigation techniques including credit insurance and collateral.</li> <li>We actively track the participation of our footprint countries in G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Supply chain dislocation and resilience | ↑                                  | <ul style="list-style-type: none"> <li>Supply chain bottlenecks remain, with ongoing restrictions affecting global industries (e.g., semi-conductors, fuel/energy shortages). The rapid reopening of markets following the lifting of COVID-19 restrictions has also seen demand outstrip supply for some sectors.</li> <li>Differing approaches to COVID-19 policies across markets especially in Asia, could cause supply chain bottlenecks to remain.</li> <li>The Russia/Ukraine war has further exacerbated supply-side pressures due to sharp increases in fuel and food prices.</li> <li>A response to the supply chain bottlenecks could see a shift in supply chains for the future, with increased contingency costs and a potential shift to move production closer to consumers.</li> </ul>                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Sectors which exhibit high supply chain pressure and vulnerability are regularly reviewed and exposures to these sectors are actively managed as part of Credit Risk reviews.</li> <li>We actively utilise Credit Risk mitigation techniques including credit insurance and collateral.</li> <li>The Group is committed to managing human rights impacts through our Supplier Charter.</li> <li>The Group monitors potential impacts of supply chain dislocations through conducting stress tests based on supply chain disruption and commodity supply shock scenarios applied over key risk realms.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| ESG stakeholder expectations            | ↔                                  | <ul style="list-style-type: none"> <li>There are risks if the Group is unable to adapt to new regulations quickly, as well as meeting publicly stated sustainability goals and helping clients transition.</li> <li>Environmental targets are being incorporated into many countries' domestic policies and corporations' business models, with increased pressure to set ambitious sustainability goals. This includes an increase in disclosure requirements and scrutiny around areas such as greenwashing.</li> <li>There is fragmentation in the pace and scale of adoption and regulation around the world, which adds complexity in managing a global business. Fragmentation in ESG taxonomies may also lead to unintended consequences, including misallocation of capital.</li> <li>Human rights concerns are increasing in focus with a scope expanding beyond direct abuses to cover other areas such as data management, technological advancement, and supply chains.</li> </ul>                                             | <ul style="list-style-type: none"> <li>We actively monitor regulatory developments in relation to sustainable finance and ESG risk management and provide our feedback on consultations bilaterally and through industry groups on emerging topics.</li> <li>We remain committed to being a responsible bank, minimising our environmental impact and embedding our values through our strengthened Position Statements for sensitive sectors and a list of prohibited activities that the Group will not finance. In our Position Statements, the Group is committed to managing client human rights impacts through our social safeguards.</li> <li>The Group is proactively participating in industry initiatives and framework development on both climate and biodiversity. Increased scrutiny is applied to environmental and social standards when providing services to the applicable clients.</li> <li>Detailed portfolio reviews are conducted on an ongoing basis and action is taken where necessary and stress tests are conducted to test resilience to climate-related risks in line with local regulatory requirements.</li> </ul> |

| Emerging and Topical Risks                        | Risk trend since 2021 <sup>1</sup> | Key risk trend drivers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | How these are mitigated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Data and digital                                  | ↑                                  | <ul style="list-style-type: none"> <li>Regulatory requirements and client expectations relating to data management, data protection, data sovereignty and privacy are increasing, including the ethical use of data and artificial intelligence.</li> <li>Geopolitical disputes have prompted some governments to issue data sovereignty legislation, in some cases extraterritorial in nature, which may impact Group processes. In some cases, there is conflicting guidance within the same jurisdiction.</li> <li>Data protection risks are increasing driven by highly organised threat actors, with tactics becoming more sophisticated and developments such as ransomware are available as a service.</li> <li>Data is becoming more concentrated in the hands of governments and big private companies. There are also relatively few providers of new technologies such as cloud computing services.</li> <li>It is unlikely that all digital services will fully transition to meet the demand for required performance levels, requiring a balance between resilience and agility as new technologies are onboarded while existing systems are maintained.</li> </ul> | <ul style="list-style-type: none"> <li>We actively monitor regulatory developments in relation to data management, data protection and privacy, data sovereignty and artificial intelligence. The Group has data centres in multiple locations globally to ensure business continuity.</li> <li>The Group has further embedded the existing risk control framework for data management risks, which has strengthened and streamlined risk oversight.</li> <li>We have established a Data and Privacy Operations team and mobilised a Group-wide transformation programme to build data management capabilities and expertise across the Group to ensure compliance with the data management regulations.</li> <li>We continue to deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats.</li> </ul>               |
| New business structures, channels and competition | ↔                                  | <ul style="list-style-type: none"> <li>There are significant shifts in customer value propositions.</li> <li>Failure to adapt and harness new technologies and new business models would place banks at a competitive disadvantage.</li> <li>Digital assets are gaining adoption and linked business models have been increasing in prominence since 2009. These present material opportunities with modified business models for businesses and consumers, as well as risks.</li> <li>Increasing usage of partnerships and alliances increases exposure to third-party risk. There is also risk of inadequate risk assessments of new and unfamiliar activities.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>We monitor emerging trends, opportunities and risk developments in technology that may have implications for the banking sector.</li> <li>We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends.</li> <li>Enhanced digital capabilities have been rolled out in Consumer, Private and Business Banking, particularly around onboarding, sales, and marketing.</li> <li>We have developed and implemented a risk management approach to address the specific risks arising from digital asset activities, as well as internal guidance on how to leverage existing risk management practices for new activities and nascent risks.</li> <li>Strategic partnerships and alliances are being set up with Fintechs to enhance our competitiveness.</li> </ul> |

| Emerging and Topical Risks | Risk trend since 2021 <sup>1</sup> | Key risk trend drivers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | How these are mitigated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Talent pools of the future |                                    | <ul style="list-style-type: none"> <li>• Expectations of the workforce, post COVID-19, are shifting. The focus is now increasingly on 'what' work people do and 'how' they get to deliver it. There is an expectation of flexibility.</li> <li>• The above trends are even more distinct amongst Millennials and Gen Zs who make up an increasing proportion of the global talent pool, and as digital natives also possess the attributes and skills we seek to pursue our strategy.</li> <li>• With rolling voluntary attrition becoming higher year-on-year and attrition hotspots emerging in a few key job families, markets and employee segments; we are very mindful that to attract, grow and retain talent in the long run and in a sustainable manner, we must continue to invest in and further strengthen our Employee Value Proposition (EVP), through both firm-wide interventions as well as targeted action.</li> </ul> | <ul style="list-style-type: none"> <li>• Our culture and Employee Value Proposition (EVP) work is designed to directly address the emerging expectations of younger generations and the diverse talent we seek. The Brand and Culture Dashboard is published quarterly, and monitors colleagues' perceptions of our EVP whether we are living our Valued Behaviours and our Diversity and Inclusion (D&amp;I) index (among other things).</li> <li>• The dashboard is discussed at local Management Team meetings to identify what improvement actions are needed.</li> <li>• We are formalising hybrid working (for those colleagues whose role is suitable) through our Future Workplace Now (FVN) programme. To date, FVN has been rolled out across 28 markets covering 68 per cent of the Group. Colleagues take up rates have been consistently high.</li> <li>• We are undertaking a multi-year journey of developing future skills amongst colleagues by creating a culture of continuous learning. This is achieved especially through deploying technology that empowers them to upskill and reskill by democratising access to learning content as well as cross-functional developmental experiences.</li> <li>• To address our talent pool's increased expectations of us being purpose-led, we have published our Stands (Accelerating Zero, Lifting Participation, Resetting Globalisation). These are now being operationalised and play a role in guiding our strategy.</li> </ul> |

 Risk heightened in 2022
  Risk reduced in 2022
  Risk remained consistent with 2021 levels

<sup>1</sup> The risk trend refers to the overall risk score trend, which is a combination of potential impact, likelihood and velocity of change

## Summary

We remain fully committed to robust risk management, embracing innovation while ensuring that we achieve the right risk outcomes when adopting new technologies and digital capabilities. The Russia/Ukraine war, rising global inflation, uneven post-pandemic recovery across markets and sovereign risks dominated the economic climate throughout H1 2022. Continued focus on enhancing risk management capabilities and leveraging our technology will help the Group, as a more sustainable, innovative, resilient and client-centred bank.

**Mark Smith**

Group Chief Risk Officer

29 July 2022

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By Order of the Board  
**Adrian de Souza**  
*Group Company Secretary*

Hong Kong, 29 July 2022

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, CBE and Andrew Nigel Halford

*Independent Non-Executive Directors:*  
Shirish Moreshwar Apte; David Philbrick Conner; Byron Elmer Grote; Christine Mary Hodgson, CBE (Senior Independent Director); Gay Huey Evans, CBE; Robin Ann Lawther, CBE; Maria da Conceicao das Neves Calha Ramos; Philip George Rivett; David Tang; Carlson Tong; and Jasmine Mary Whitbread