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 2023 – Part 1

Performance highlights

All figures are presented on an underlying basis and comparisons are made to 2022 on a reported currency basis, unless otherwise stated.

Bill Winters, Group Chief Executive, said:

"We have delivered a very strong set of results for the first six months of 2023. Income was up 18 per cent year-on-year and underlying profit before tax was up 29 per cent to $3.3 billion. We remain strongly profitable, highly liquid, and well capitalised. These attributes enable us to return a further $1 billion to our shareholders through a new share buy-back announced today. Also reflecting our confidence in the business, we are upgrading our 2023 guidance for income, jaws and RoTE which we now expect to be 10 per cent for the full year."

Selected information on 2Q'23 financial performance with comparisons to 2Q'22 unless otherwise stated

- **Return on tangible equity** ("RoTE") of 12.1%, up 4%pts year-on-year ("YoY")
- **Income** up 20% to $4.6bn, up 24% at constant currency ("ccy")
  - Net interest income, up 33% at ccy to $2.4bn; other income, up 15% at ccy to $2.1bn
  - Net interest margin ("NIM") up 8bps since 31.3.23 to 1.71%, up 6bps from rising interest rates and up 4bps from hedges rolling off, down 2bps from adverse liability and asset mix; deposit migration and betas performing as expected
  - Record Financial Markets ("FM") up 15% at ccy, up 27% excluding non-repeat of $122m gain on mark-to-market ("MTM") liabilities in 2Q'22
  - Wealth Management ("WM") up 10% at ccy, reversing five quarters of YoY declines
- **Expenses** increased 11% YoY to $2.8bn, or up 14% at ccy
  - Increase due to inflation, business growth and phasing of performance related-pay accruals
  - Positive 10% income-to-cost jaws
- **Credit impairment charge** of $146m, up $80m YoY; includes China CRE charge of $84m
- **Customer loans and advances** of $290bn, down $10bn or 3% since 31.3.23; stable on an underlying basis
- **Customer deposits** of $470bn, up $7bn or 2% since 31.03.23; up $11 billion or 2% at ccy
- **Risk-weighted assets** ("RWA") of $249bn, down $2bn since 31.3.23
- Underlying profit before tax of $1.6bn, up 32% at ccy

Selected information on 1H'23 financial performance with comparisons to 1H'22 unless otherwise stated

- **RoTE** of 12.0%, up 3%pts YoY
- **Income** up 14% to $9.0bn, up 18% YoY at ccy
  - Net interest income, up 35% to $4.8bn; other income, up 4% to $4.2bn
  - NIM up 35bps YoY to average 1.67% in 1H'23
  - FM up 4%, up 13% excluding non-repeat of $216m gain on MTM liabilities in 1H'22, with record Macro and Credit Trading
  - WM up 5%, supported by positive leading indicators from China reopening

- **Expenses** increased 8% YoY to $5.5bn, up 12% at ccy
  - Increase due to inflation, business growth and targeted investments, partially funded by productivity saves
  - Positive 6% income-to-cost jaws; cost-to-income ratio improved 3% pts to 61%
- **Credit impairment charge** of $172m, down $92m YoY
  - China CRE charge $82m; Sovereign exposures net release $21m, CPBB $108m charge
  - Loan-loss rate of 11bps (1H'22: 15bps); high-risk assets of $8.9bn, down $1.0bn since 31.12.22
- **Underlying profit before tax** of $3.3bn, up 29% at ccy, highest level since 2015
- **Tax charge** of $0.9bn: underlying effective tax rate of 28% up 3%pts
- The Group's **balance sheet** remains strong, liquid and well diversified
  - Customer loans and advances of $290bn, down $21bn or 7% since 31.12.22; stable on an underlying basis
  - Customer deposits of $470bn, up $8bn or 2% since 31.12.22; up $11bn or 2% at ccy
  - Liquidity coverage ratio 164% (31.12.22:147%)
  - Advances-to-deposit ratio 53.6% (31.12.22: 57.4%)
- **RWA** of $249bn, up $4bn since 31.12.22
  - Credit risk RWA broadly flat, decrease of $7bn from RWA optimisation and efficiency actions and $3bn from FX, offset by $8bn from asset growth and mix changes and $1bn from derivatives
  - Market risk RWA up $3bn and Operational risk RWA up $1bn
- The Group remains strongly capitalised
  - **CET1 ratio** 14.0% (31.12.22: 14.0%), at the top of the 13-14% target range
  - **Interim ordinary dividend** increased 50% to 6c per share ($168m)
  - $1bn new **share buy-back**, to start imminently and run concurrently with current program, expected to reduce the CET1 ratio by approximately 40bps
- **Underlying earnings per share** (EPS) increased 16.4 cents or 28% to 75.0 cents; statutory EPS up 22% to 75.6 cents

Update on strategic actions for 1H'23 unless otherwise stated

- **Drive improved returns in CCIB**: Income RoRWA of 8.0%, ahead of 2024 target of 6.5%; $20bn of RWA optimised since 1.1.22
- **Transform profitability in CPBB**: Cost-to-income ratio of 58%, improved by 14%pts YoY, consistent with 2024 target of 60%; $0.3bn of gross expense savings since 1.1.22
- **Seize China opportunity**: China onshore and offshore profit before tax up >4x YoY to $0.7bn
- **Create operational leverage**: $0.6bn gross productivity saves since 1.1.22; Cost-to-income ratio improved by 3%pts YoY to 61%
- **Deliver substantial shareholder returns**: $1bn share buy-back announced today, $3.9bn of total returns announced since 1.1.22

Other highlights for 1H'23 unless otherwise stated

- **Ventures**: Onboarded over 1 million customers across our two digital banks, Mox and Trust, since launch. Completed the first sale of a business incubated in Ventures, CardsPal
- **Sustainability**: Announced our Oil & Gas absolute emissions target in May 2023. Our Sustainable Finance franchise continues to grow with income up 37% YoY and assets up 8% since 31.12.22
- **Markets exit**: Following our announcement to redirect resources within the Africa and Middle East region, we have successfully signed binding sale agreements for 7 businesses

Outlook

We have made a strong start to 2023 with positive momentum being supported by progress on our Five strategic actions and the markets in our footprint are expected to continue to grow faster than those in the West.
We are therefore upgrading our 2023 guidance:

- **Income** to increase in the 12-14% range at ccy
- **Full year average NIM** of around 170bps
- **Assets growth** in the low single digit percentage range in 2H'23 (from 30.6.23)
- **RWA** growth in the low single digit percentage range
- **Positive income-to-cost** jaws of around 4%, excluding UK bank levy at ccy
- **Full year loan loss rate** to be in the range of 17-25 basis points
- Operate dynamically within the full 13-14% **CET1** target range
- **RoTE** of 10%

Statement of results

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million	Change[1] %
Underlying performance[2]			
Operating income	8,951	7,859	14
Operating expenses	(5,504)	(5,096)	(8)
Credit impairment	(172)	(264)	35
Other impairment	(63)	(1)	nm[8]
Profit from associates and joint ventures	94	153	(39)
Profit before taxation	3,306	2,651	25
Profit attributable to ordinary shareholders[3]	2,128	1,766	20
Return on ordinary shareholders' tangible equity (%)	12.0	9.3	270bps
Cost-to-income ratio (%) (Excluding bank levy) (%)	61.5	64.9	345bps
Statutory performance			
Operating income	9,127	8,225	11
Operating expenses	(5,668)	(5,328)	(6)
Credit impairment	(161)	(263)	39
Other impairment	(77)	(15)	nm[8]
Profit from associates and joint ventures	102	153	(33)
Profit before taxation	3,323	2,772	20
Taxation	(938)	(684)	(37)
Profit for the period	2,385	2,088	14
Profit attributable to parent company shareholders	2,388	2,089	14
Profit attributable to ordinary shareholders[3]	2,145	1,873	15
Return on ordinary shareholders' tangible equity (%)	11.9	9.9	200bps
Cost-to-income ratio (%)	62.1	64.8	270bps
Net interest margin (%) (adjusted)[7]	1.67	1.32	35bps
	30.06.23 $million	31.12.22 $million	Change[1] %
Balance sheet and capital			
Total assets	838,711	819,922	2
Total equity	49,681	50,016	(1)
Average tangible equity attributable to ordinary shareholders[3]	36,422	37,186	(2)
Loans and advances to customers	290,137	310,647	(7)
Customer accounts	469,567	461,677	2
Risk-weighted assets	249,117	244,711	2
Total capital	52,669	53,151	(1)
Total capital ratio (%)	21.1	21.7	(60)bps
Common Equity Tier 1	34,896	34,157	2
Common Equity Tier 1 ratio (%)	14.0	14.0	–
Advances-to-deposits ratio (%)[4]	53.6	57.4	(380)bps
Liquidity coverage ratio (%)	164	147	1,700bps
Leverage ratio (%)	4.8	4.8	–
	Cents	Cents	Change[1]
Information per ordinary share			
Earnings per share – underlying[5]	75.0	58.6	16.4
– statutory[5]	75.6	62.1	13.5
Net asset value per share[6]	1,513	1,453	60
Tangible net asset value per share[6]	1,302	1,249	53
Number of ordinary shares at period end (millions)	2,797	2,867	(2)

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 (%), leverage ratio (%), cost-to-income ratio (%) and return on ordinary shareholders' tangible equity (%). 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 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

3 Profit 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

4 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

5 Represents the underlying or statutory earnings divided by the basic weighted average number of shares. Prior period refers to 6 months ended 30.06.22

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

7 Net interest margin is calculated as adjusted net interest income divided by average interest-earning assets, annualised

8 Not meaningful

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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.

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. 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 a challenging external environment

We've posted a very strong set of results for the first six months of 2023. Income was up 18 per cent year-on-year on a constant currency basis with strong momentum particularly in the second quarter up 24 per cent. Financial Markets ("FM"), into which we have invested significantly in the last few years, delivered a record second quarter. And in Wealth Management ("WM") we saw a return to growth in the second quarter, after five successive quarters of year on year declines, driven by continued investment in the franchise and a rebound in customer activity in Hong Kong and China.

We continued to generate expense savings creating capacity for further investment to accelerate growth whilst helping to drive positive income-to-cost jaws of 6 per cent. Our loan portfolios remain in good shape, and credit impairment is below last year's levels. This helped drive underlying profit before tax up by 29 per cent to $3.3 billion, our highest first half profit since 2015. We have also generated a 12.0 per cent return on tangible equity ("RoTE"). This strong performance is broad based across the Group's footprint, with 19 of our markets having delivered record first half income and 17 delivered record first half profits.

We've achieved this performance without compromising our robust liquidity and capital foundations. The Group remains highly liquid with a diverse and stable deposit base and an advances-to-deposits ratio of 53.6 per cent and a liquidity coverage ratio of 164 per cent. We remain well capitalised with equity generation and continued discipline on risk weighted assets ("RWA"), having delivered a first half Common Equity Tier 1 ("CET1") ratio of 14.0 per cent at the top of our target range.

We remain committed to sharing the Group's success with its shareholders and are announcing a further share buy-back of $1 billion, to commence imminently and run concurrently with the latter stages of the current program. We have already reduced the share count by around 9 per cent over the last eighteen months.

Continued delivery of strategic priorities

Our strategy is clear and we have continued to deliver strong progress on each of the four strategic priorities that we set out at the start of 2021; growing our Network and Affluent client businesses, accelerating the growth of our Mass Retail business and advancing on all fronts of our Sustainability agenda.

Grow Network and Affluent businesses

Corporate, Commercial & Institutional Banking ("CCIB") cross-border income was up 44 per cent in the first six months of the year, with particularly strong growth in China, up 59 per cent. China to ASEAN cross-border income grew 82 per cent reflecting investment in corridor bankers and a supply chain and trade flow shifts between the two. Our Affluent client business continues to grow with increasing number of relationship managers enabling positive net new money of $13 billion in the first half of 2023, more than double that in the comparable period last year.

Accelerate growth of Mass Retail business

We continue to grow our Mass Retail client base with around 450,000 new to bank clients onboarded this year and around a further 100,000 clients upgraded from Mass Retail to Affluent.

Advance Sustainability agenda

In Sustainable Finance, income was up 37 per cent, and we expect total income to be approaching $1 billion in 2024. On the broader sustainability agenda, building on the good progress we made in 2022, this year we have established targets for absolute emissions in the Oil and Gas sector. In addition, we are partnering with peers, investors, and leading expert bodies to build better industry standards for sustainable investment, and we have recently joined the World Bank's Private Sector Investment Lab, a group charged with developing solutions to address the barriers to private sector investment in emerging markets and sustainable projects. Throughout this process we will continue to prioritise areas where we can have the greatest material impact on our total emissions following industry best practices.

Significant progress on five strategic actions

In February 2022 we set out five strategic actions that we would take to accelerate delivery of double-digit RoTE, and we have made significant progress across all five areas .

CCIB: drive improved returns

In CCIB we are targeting around a 160 basis point improvement in income return on risk weighted assets ("IRoRWA") to 6.5 per cent in 2024, and a RWA optimisation target of $22 billion. We have exceeded the IRoRWA target in the first six months of this year, delivering IRoRWA of 8.0 per cent. This was driven by particularly strong growth in income from Financial Institution clients, up 34 per cent, which now accounts for 48 per cent of CCIB income. In addition, the CCIB team has successfully executed $20 billion in RWA optimisation over the last 18 months.

CPBB: transform profitability

In Consumer, Private & Business Banking ("CPBB") we are making great progress, with the cost-to-income ratio for the first half of the year at 58 per cent, consistent with its 60 per cent target and the team has delivered $0.3 billion of the $0.5 billion, three-year gross expense savings target. This has been achieved without compromising on client service, with our latest client satisfaction scores improving across our markets, with best-in-class strategic net promoter scores in Priority banking in eight of our nine top markets. In the Affluent client segment we are now a top three wealth manager in Asia.

Seize China opportunity

Our third strategic action was our ambition to double China onshore and offshore profit before tax to $1.4 billion by 2024. For the first six months of the year profits were up more than 4 times, to $0.7 billion, driven by offshore income growth of 59 per cent. In May we held an Asia focused Investor and Analyst seminar in Hong Kong and Singapore where Ben Hung, our Asia CEO, together with other members of his management team, showed how we will continue to leverage our unique advantages to invest and capture the significant opportunities for growth in the region. A key focus of the discussion was China opening its financial and capital markets, and how this will drive growth for the Group. Our leading indicators this year support this optimism with new to bank affluent client onboarding being double last year's level in China and three times higher in Hong Kong.

Create operational leverage

Expense efficiency remains core to enabling us to create positive operating leverage. The Group has delivered $0.6 billion gross structural cost savings over the last 18 months, and we are well on track to deliver the $1.3 billion target by the end of 2024. Our cost-to-income ratio is down 9 per centage points since the end of 2021 to 61 per cent for the first six months of the year, so we are well advanced towards our target of around 60 per cent by 2024.

Substantial shareholder distributions

Lastly, we set ourselves a target to return in excess of $5 billion of capital to shareholders between 2022 to 2024. With the $1 billion share buy-back we have announced today, combined with our interim dividend, our total shareholder returns since the start of 2022 will reach $3.9 billion. Again, this is well on our way to achieving our three-year target.

Strong execution of management actions

As well as delivering a strong financial performance we continue to execute on a broad management agenda, reshaping the network, disposing of non-core businesses and investing in new technologies and business models. All actions that will accelerate the delivery of double-digit RoTE and position the Group for continued growth and success in the future.

In April last year we outlined plans to redirect resources within the Africa and Middle East ("AME") region to those areas which have the greatest scale and growth potential. This included the intention to exit onshore operations in seven markets, and in a further two markets focus solely on the CCIB business. We are executing well against these plans. Following the signing of the agreements for the sale of the Jordan business in March and Zimbabwe in June, we announced in early July the sale of a further five markets, Angola, Cameron, The Gambia and Sierra Leone and our CPBB business in Tanzania.

Additionally, as part of the AME announcement we also highlighted the investment we are making in both the Kingdom of Saudi Arabia and in the Arab Republic of Egypt. In Saudi Arabia, we opened our first branch in June 2021, and since then have seen strong growth in CCIB cross-border income, with 1H'23 income increasing over 140 per cent. In Egypt we are on-track to open the office in the second half of this year, subject to regulatory approval.

We started disclosing Ventures as a separate business segment in 2022 and we are starting to see success, as we continue to build new business models and partnerships. Our two virtual banks, Mox in Hong Kong and Trust in Singapore, are going from strength to strength with over a million customers between them. Both these banks are targeting profitability over the next couple of years, Mox in 2024, and Trust in 2025.

We have also launched the Nexus 'Banking-as-a-service' offering in partnership with Bukalapak in Indonesia and have already onboarded over 220,000 clients, and we have now received regulatory approval to launch our Buy Now Pay Later product. We are also targeting to take Nexus to other markets.

In June 2023 we announced the sale of CardsPal after successfully incubating the business through our SC Ventures' Intrapreneurship Programme. This is the first sale of a start-up business from our SC Ventures segment.

Uniquely positioned to turbo-charge growth

These management actions serve to enhance the unique position the Group already occupies. We generate most of our earnings in the fast-growing markets of Asia, Africa and the Middle East whilst being strongly connected to the economies of the West. Our business reflects our connections to the world's most dynamic markets, for example we are the leading offshore Chinese Renminbi bank whilst at the same time being one of the major US dollar clearing banks in New York.

The economic attractiveness of Asia is as strong as ever. Our recent 'Future of Trade' report, which analysed trade flows and projections from 13 key markets, forecasts that Asia will keep dominating global trade for the rest of this decade, with exports from the region set to rise more than any other economic area through 2030.

For 2023 and 2024 we expect the rate of GDP growth in Asia, where our footprint is unparalleled, to be more than double that in the US and Europe. We have a presence in 21 markets, including all 10 ASEAN markets, as well as being one of the largest international bank in South Asia. Our two financial hubs in Hong Kong and Singapore are well positioned as super- connectors driving cross-border growth. In Singapore we are the first enhanced Significantly Rooted Foreign Bank and in Hong Kong we are one of only three note issuing banks.

Complementing the Asia footprint, we have a deep-rooted heritage in the AME region. We are one of the largest international banks on the continent of Africa and have a significant presence across seven markets in the Middle East. As a top two global network trade bank for Financial Institutions, we connect the dynamic markets in which we operate to each other as well as to the economies beyond.

With our unique positioning we are confident that we will deliver our 2024 targets on the way to sustainably higher RoTE.

Concluding remarks

We have navigated the market turbulence of the last few years well and have delivered another very strong financial performance in the first half of the year. We are making excellent progress against the five strategic actions we laid out in February 2022 and are delivering strongly on a broad front of management actions.

We are mindful of the external macroeconomic headwinds and recent challenges in the banking sector; however, our balance sheet is robust, and we have the right strategy, business model and ambition to deliver our targets. Reflecting the strong start to the year and the positive outlook we are upgrading our 2023 expectations and are now targeting to deliver 10 per cent RoTE in 2023 and in excess of 11 per cent in 2024, and continuing to grow thereafter.

The Management Team and I remain focused on delivering our 2024 targets, seizing the growth opportunities we have and creating exceptional long-term value for the Group and its shareholders.

Bill Winters
Group Chief Executive

28th July 2023

Group Chief Financial Officer's review

The Group delivered a very strong performance in the first six months of 2023

Summary of financial performance

	1H'23 $million	1H'22[3] $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22[3] $million	Change %	Constant currency change[1] %	1Q'23 $million	Change %	Constant currency change[1] %
Underlying net interest income[4]	4,777	3,694	29	35	2,436	1,890	29	33	2,341	4	5
Underlying other income[4]	4,174	4,165	–	4	2,119	1,893	12	15	2,055	3	3
Underlying operating income	8,951	7,859	14	18	4,555	3,783	20	24	4,396	4	4
Other operating expenses	(5,501)	(5,101)	(8)	(12)	(2,826)	(2,551)	(11)	(14)	(2,675)	(6)	(6)
UK bank levy	(3)	5	nm[5]	nm[5]	(3)	5	nm[5]	nm[5]	–	nm[5]	nm[5]
Underlying operating expenses	(5,504)	(5,096)	(8)	(12)	(2,829)	(2,546)	(11)	(14)	(2,675)	(6)	(6)
Underlying operating profit before impairment and taxation	3,447	2,763	25	29	1,726	1,237	40	44	1,721	–	–
Credit impairment	(172)	(264)	35	31	(146)	(66)	(121)	(87)	(26)	nm[5]	nm[5]
Other impairment	(63)	(1)	nm[5]	nm[5]	(63)	–	nm[5]	nm[5]	–	nm[5]	nm[5]
Profit from associates and joint ventures	94	153	(39)	(39)	83	90	(8)	(8)	11	nm[5]	nm[5]
Underlying profit before taxation	3,306	2,651	25	29	1,600	1,261	27	32	1,706	(6)	(6)
Restructuring	56	1	nm[5]	nm[5]	8	(16)	150	142	48	(83)	(83)
DVA	(39)	120	(133)	(133)	(93)	35	nm[5]	nm[5]	54	nm[5]	nm[5]
Statutory profit before taxation	3,323	2,772	20	24	1,515	1,280	18	24	1,808	(16)	(16)
Taxation	(938)	(684)	(37)	(50)	(474)	(371)	(28)	(36)	(464)	(2)	–
Profit for the year	2,385	2,088	14	17	1,041	909	15	19	1,344	(23)	(22)
Net interest margin (%)[2]	1.67	1.32	35		1.71	1.35	36		1.63	8	
Underlying return on tangible equity (%)[2]	12.0	9.3	270		12.1	8.4	370		11.9	20	
Underlying earnings per share (cents)	75.0	58.6	28		37.3	26.6	40		37.6	(1)	

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 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance
4 To be consistent with how we the compute Net Interest Margin (NIM), and to align with the way we manage our business, we have changed our definition of Underlying Net Interest Income (NII) and Underlying Other Income (OI). The adjustments made to NIM, including interest expense relating to funding our trading book, will now be shown against Underlying Other Income rather than Underlying NII. Prior periods have been restated . There is no impact on total income
5 Not meaningful

Statutory financial performance summary

	1H'23 $million	1H'22 $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22 $million	Change %	Constant currency change[1] %	1Q'23 $million	Change %	Constant currency change[1] %
Net interest income	3,984	3,638	10	15	1,978	1,850	7	11	2,006	(1)	–
Other income	5,143	4,587	12	16	2,589	2,083	24	28	2,554	1	2
Statutory operating income	9,127	8,225	11	15	4,567	3,933	16	20	4,560	–	1
Statutory operating expenses	(5,668)	(5,328)	(6)	(11)	(2,918)	(2,663)	(10)	(13)	(2,750)	(6)	(7)
Statutory operating profit before impairment and taxation	3,459	2,897	19	24	1,649	1,270	30	35	1,810	(9)	(8)
Credit impairment	(161)	(263)	39	35	(141)	(66)	(114)	(85)	(20)	nm[3]	nm[3]
Goodwill and Other impairment	(77)	(15)	nm[3]	nm[3]	(77)	(9)	nm[3]	nm[3]	–	nm[3]	nm[3]
Profit from associates and joint ventures	102	153	(33)	(33)	84	85	(1)	(1)	18	nm[3]	nm[3]
Statutory profit before taxation	3,323	2,772	20	25	1,515	1,280	18	24	1,808	(16)	(16)
Taxation	(938)	(684)	(37)	(50)	(474)	(371)	(28)	(36)	(464)	(2)	–
Profit for the year	2,385	2,088	14	17	1,041	909	15	19	1,344	(23)	(22)
Net interest margin (%)[2]	1.67	1.32	35		1.71	1.35	36		1.63	8	
Statutory return on tangible equity (%)[2]	11.9	9.9	200		10.8	8.7	210		13.0	(220)	
Statutory earnings per share (cents)	75.6	62.1	22		34.8	27.1	28		40.7	(14)	

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 very strong performance in the first half of 2023 with its best half-year profit since 2015. Underlying profit before tax increased 29 per cent on a constant currency basis to $3.3 billion. Income grew 18 per cent on a constant currency basis with a 35 per cent increase in underlying net interest income and a 4 per cent increase in underlying other income. Rising interest rates supported a strong expansion in the net interest margin and Macro Trading within Financial Markets delivered a record half-year performance. The Wealth Management business also showed early signs of recovery. The Group generated 6 per cent positive income-to-cost jaws at constant currency as expenses grew 12 per cent. Credit impairment charges were equivalent to an annualised loan loss rate of 11 basis points, well below the historic through the cycle loan-loss rate range of 30 to 35 basis points. The Group remains well capitalised and highly liquid. In response to recent volatility in liquidity conditions in certain markets the liquidity coverage ratio has been maintained at an elevated level of 164 per cent, well above minimum regulatory requirements. The CET1 ratio of 14.0 per cent is at the top of the Group's target range, with profit accretion offsetting both the $1 billion share buy-back programme announced in February 2023 and a 2 per cent increase in risk-weighted assets since 31 December 2022. This capital strength has enabled the Board to announce an interim ordinary dividend of 6 cents a share, up 2 cents or 50 per cent and announce a further $1 billion share buy-back program to commence imminently and run concurrently with the latter stages of the existing program.

- Operating income of $9 billion, is the highest half-yearly income since the second half of 2014 and increased 14 per cent in the first half, up 18 per cent on a constant currency basis. This was due to strong growth in net interest income driven by an expansion in the net interest margin together with a strong Financial Markets performance. These were partially offset by losses from hedges
- Underlying net interest income (which excludes the interest expense related to funding our trading book) increased 29 per cent, or 35 per cent on a constant currency basis, as the net interest margin increased 27 per cent or 35 basis points. This was despite a year-on-year incremental 23 basis points drag from hedges. The Group increased its pricing on assets and its yield on its Treasury portfolio more quickly than it repriced its liability base, reflecting strong pricing discipline and passthrough rate management
- Underlying other income (which includes the interest expense related to funding our trading book) was stable, or up 4 per cent on a constant currency basis. This was due to a strong Financial Markets performance, which was up 4 per cent, or 13 per cent excluding $216 million of non-repeated gains on mark-to-market liabilities in the prior year
- Operating expenses excluding the UK bank levy increased 8 per cent or 12 per cent on a constant currency basis, as the Group continued to invest into strategic investments and growing businesses which includes Wealth Management, Financial Markets and Sustainable Finance. This increased investment, alongside the impact of inflation was in part funded by gross productivity savings of $200 million in the first half. The Group generated 6 per cent positive income-to-cost jaws while the cost-to-income ratio improved 3 percentage points to 61 per cent
- Credit impairment was a charge of $172 million, a reduction of $92 million year-on-year, representing an annualised loan loss rate of 11 basis points. Impairment charges relating to the ongoing CPBB portfolio and a further $82 million charge in relation to the China Commercial Real Estate sector were partly offset by a net $21 million release relating to prior sovereign ratings downgrades
- Other impairment of $63 million, primarily relate to the write-down of software assets
- Profit from associates and joint ventures decreased 39 per cent to $94 million reflect lower profits at China Bohai Bank
- The Group's underlying operating profit before taxation no longer includes movements in the debit valuation adjustment (DVA), the markets and businesses it is exiting in the Africa & Middle East region and the Aviation Finance business and now reports them within restructuring and other items. Restructuring profits of $56 million primarily reflect the operating profit from the exit markets and Aviation Finance. DVA was a $39 million charge in the first half
- Taxation was $938 million on a statutory basis with an underlying year-to-date effective tax rate of 28.4 per cent up from the 1H'22 rate of 25.3 per cent. This increase reflects a change in the geographic mix of profits and a higher impact from non-deductible expenses
- Underlying return on tangible equity (RoTE) increased by 270 basis points to 12.0 per cent driven by higher profits and lower tangible equity. The reduction in tangible equity was driven by shareholder distributions and adverse movements in reserves during the course of 2022 due to changes in interest rates and FX

Operating income by product

	1H'23 $million	1H'22[2,3] $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22[2,3] $million	Change %	Constant currency change[1] %	1Q'23[3] $million	Change %	Constant currency change[1] %
Transaction Banking	2,860	1,553	84	92	1,461	824	77	83	1,399	4	5
Trade & Working capital	665	692	(4)	–	334	336	(1)	3	331	1	2
Cash Management	2,195	861	155	166	1,127	488	131	138	1,068	6	6
Financial Markets	2,805	2,812	–	4	1,391	1,255	11	15	1,414	(2)	(1)
Macro Trading	1,655	1,601	3	8	825	662	25	30	830	(1)	–
Credit Markets	922	870	6	10	462	396	17	19	460	–	1
Credit Trading	312	189	65	76	140	84	67	75	172	(19)	(18)
Financing Solutions & Issuance[3]	610	681	(10)	(8)	322	312	3	5	288	12	12
Financing & Securities Services[3]	228	341	(33)	(32)	104	197	(47)	(47)	124	(16)	(18)
Lending & Portfolio Management	266	282	(6)	–	132	136	(3)	2	134	(1)	(1)
Wealth Management	1,006	984	2	5	495	456	9	10	511	(3)	(3)
Retail Products	2,452	1,781	38	43	1,240	944	31	35	1,212	2	3
CCPL & other unsecured lending	576	610	(6)	(2)	286	310	(8)	(4)	290	(1)	(1)
Deposits	1,619	596	172	185	848	355	139	146	771	10	10
Mortgage & Auto	188	481	(61)	(60)	74	235	(69)	(68)	114	(35)	(34)
Other Retail Products	69	94	(27)	(22)	32	44	(27)	(23)	37	(14)	(8)
Treasury	(393)	515	(176)	(178)	(160)	201	(180)	(179)	(233)	31	33
Other	(45)	(68)	34	24	(4)	(33)	88	90	(41)	90	93
Total underlying operating income	8,951	7,859	14	18	4,555	3,783	20	24	4,396	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 Underlying Income for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance
3 Shipping Finance is now reported under "Financing Solutions & Issuance" which was reported under "Financing & Securities Services" in Q1

The operating income by product commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2022 on a constant currency basis, unless otherwise stated.

Transaction Banking income increased 92 per cent with Cash Management income up 166 per cent reflecting strong pricing discipline and passthrough rate management to take advantage of a rising interest rate environment. Trade & Working Capital income was stable, reflecting reduced fee income and lower balance sheet and contingent volumes offset by higher margins as the Group focused on higher-returning trade products.

Financial Markets income increased 4 per cent and was up 13 per cent excluding the non-repeat of $216 million of gains on mark-to-market liabilities in the first half of 2022. Flow income, which is over two-thirds of Financial Markets income, increased 10 per cent whilst episodic income was up 4 per cent. Macro Trading had a record first half, up 8 per cent, with strong double-digit growth in Rates and high single-digit growth in FX leading to record performances partly offsetting a non-repeat of last year's record performance in Commodities. Credit Markets income was up 10 per cent with strong growth and a record half in Credit Trading income offset by lower Financing Solutions & Issuance income which was impacted by lower capital market issuances in a volatile interest rate environment. Excluding the non-repeat of the mark-to-market gains, Financing & Securities Services income nearly doubled as Securities Services income benefited from rising interest rates.

Lending and Portfolio Management income was flat with lower volumes as a result of risk-weighted asset optimisation actions offset by increased fee income.

Wealth Management income was 5 per cent higher reflecting a gradual recovery following the easing of COVID-19 restrictions in key footprint markets. There was strong double-digit growth in FX, fixed income and structured products which was partly offset by lower managed investment income as transactional volumes were impacted by subdued equity markets across the footprint. Bancassurance income increased 9 per cent on the back of strong customer onboarding while Wealth Management secured lending income decreased by a third on the back of customer deleveraging and higher cost of funding.

Retail Products income increased 43 per cent. Deposit income increased 185 per cent due to low passthrough rates in a rising interest rate environment partly offset by migration from CASA into time deposits. Mortgages & Auto income decreased 60 per cent as the Best Lending Rate cap in Hong Kong restricted the ability to reprice mortgages despite an increase in funding costs from higher interest rates. Credit Cards & Personal Loans income decreased 2 per cent with double-digit growth in credit card balances on the back of increased customer numbers from Mox and Trust bank offset by lower fee income.

Treasury income was a $393 million loss in the half with losses from structural and short-term hedges in a rising interest rate environment. These losses reduced in the second quarter as short-term hedges matured and the remaining short term hedges mature in February 2024.

Profit before tax by client segment and geographic region

	1H'23 $million	1H'22[2] $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22[2] $million	Change %	Constant currency change[1] %	1Q'23 $million	Change %	Constant currency change[1] %
Corporate, Commercial & Institutional Banking	2,915	1,810	61	71	1,430	815	75	87	1,485	(4)	(4)
Consumer Private & Business Banking	1,373	714	92	100	696	346	101	107	677	3	2
Ventures	(158)	(151)	(5)	(6)	(55)	(74)	26	27	(103)	47	47
Central & other items (segment)	(824)	278	nm[3]	nm[3]	(471)	174	nm[3]	nm[3]	(353)	(33)	(32)
Underlying profit before taxation	3,306	2,651	25	29	1,600	1,261	27	32	1,706	(6)	(6)
Asia	2,749	1,776	55	59	1,354	918	47	53	1,395	(3)	(3)
Africa & Middle East	653	551	19	39	349	271	29	45	304	15	15
Europe & Americas	(11)	646	(102)	(102)	7	177	(96)	(97)	(18)	139	135
Central & other items (region)	(85)	(322)	74	70	(110)	(105)	(5)	(14)	25	nm[3]	nm[3]
Underlying profit before taxation	3,306	2,651	25	29	1,600	1,261	27	32	1,706	(6)	(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 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance
3 Not meaningful

The client segment and geographic region commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2022 on a constant currency basis, unless otherwise stated.

Corporate, Commercial & Institutional Banking (CCIB) profit increased 71 per cent. Income grew 33 per cent with Cash Management benefiting from disciplined pricing initiatives in a rising interest rate environment and record Macro and Credit Trading performance within Financial Markets. Expenses were 13 per cent higher reflecting further investment in the business partly offset by a net $125 million reduction in credit impairment.

Consumer, Private & Business Banking (CPBB) profit doubled, with income up 30 per cent as the benefit from higher interest rates on Retail Deposit income was partly offset by lower Mortgage income negatively impacted by the Best Lending Rate cap in Hong Kong. Expenses increased 5 per cent while credit impairment was $28 million higher.

Ventures losses increased by $7 million to $158 million, reflecting the Group's continued investment in transformational digital initiatives with expenses increasing $65 million which was more than offset by an $84 million increase in income reflecting the growth in customer numbers within Mox and Trust Bank. The impairment charge increased $20 million to $23 million reflecting the build of expected credit loss provisions as the credit portfolios grow.

Central & other items (segment) recorded a loss of $824 million with negative income of $517 million primarily due to the loss from hedges. Expenses increased by $65 million while a net release in credit impairment was more than offset by other impairment relating to software assets. Associates profit share reduced by $53 million .

Asia profits increased 59 per cent as income grew 23 per cent. Strong growth in Cash Management, Retail Deposits and Financial Markets income was offset by lower Mortgage income and a loss in Treasury Markets. Expenses increased 9 per cent with the credit impairment charge reducing by half. The profit share from China Bohai Bank reduced by $51 million.

Africa & Middle East (AME) profits increased 39 per cent as income increased 34 per cent with strong growth in Cash Management, Financial Markets and Retail Deposit income. This was partly offset by expenses increasing 13 per cent reflecting inflationary pressures in the region. Impairment charges were a net release of $9 million, a $90 million lower release compared to the prior year.

Europe & Americas recorded a loss of $11 million as income declined 38 per cent, reflecting the increased cost of hedges within Treasury whilst strong growth in Transaction Banking income was partly offset by lower Financial Markets income. Expenses increased 15 per cent and there was a $35 million increase in credit impairment as last year's net release was not replicated.

Central & other items (region) recorded a loss of $85 million compared to a $322 million loss in the first half of 2022. Income increased to $305 million mainly due to higher returns paid to Treasury on the equity provided to the regions in a rising interest rate environment. This was partly offset by other impairment charges of $69 million.

Adjusted net interest income and margin

	1H'23 $million	1H'22 $million	Change[1] %	2Q'23 $million	2Q'22 $million	Change[1] %	1Q'23 $million	Change[1] %
Adjusted net interest income[2]	4,770	3,697	29	2,430	1,888	29	2,340	4
Average interest-earning assets	576,149	565,335	2	569,811	561,493	1	582,557	(2)
Average interest-bearing liabilities	537,549	527,104	2	536,142	524,273	2	538,969	(1)
Gross yield (%)[3]	4.49	2.06	nm[5]	4.61	2.21	nm[5]	4.37	24
Rate paid (%)[3]	3.02	0.80	nm[5]	3.08	0.92	nm[5]	2.97	11
Net yield (%)[3]	1.47	1.26	21	1.53	1.29	24	1.40	13
Net interest margin (%)[3,4]	1.67	1.32	35	1.71	1.35	36	1.63	8

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 Net interest margin is calculated as adjusted net interest income divided by average interest-earning assets, annualised
5 Not meaningful

Adjusted net interest income increased 29 per cent. This was driven by a 27 per cent increase in the net interest margin which averaged 167 basis points in the first half, increasing 35 basis points year-on-year. The net interest margin increased 8 basis points quarter-on-quarter from the first quarter to 171 basis points benefiting from the roll-off of hedges slightly offset by an adverse change in asset mix reflecting the shift from higher-yielding customers loans into cash and balances at central banks:

- Average interest-earning assets declined 2 per cent in the quarter and were broadly flat excluding the impact of currency translation and RWA optimisation actions. Gross yields increased 24 basis points compared with the first 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 11 basis points reflecting the impact of rising interest rates and migration from lower rate paid CASA accounts into higher rate paid term deposits

Credit risk summary

Income Statement

	1H'23 $million	1H'22[2] $million	Change[1] %	2Q'23 $million	2Q'22[2] $million	Change[1] $million	1Q'23 $million	Change[1] %
Total credit impairment charge/(release)	172	264	(35)	146	66	121	26	nm[3]
Of which stage 1 and 2	33	(11)	nm[3]	27	70	(61)	6	nm[3]
Of which stage 3	139	275	(49)	119	(4)	nm[3]	20	nm[3]

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods
2 Underlying credit impairment for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME and (ii) Aviation Finance. No change to statutory credit impairment
3 Not meaningful

Balance sheet

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
Gross loans and advances to customers[2]	295,508	305,975	(3)	316,107	(7)	298,729	(1)
Of which stage 1	277,711	286,335	(3)	295,219	(6)	279,137	(1)
Of which stage 2	10,110	12,216	(17)	13,043	(22)	12,539	(19)
Of which stage 3	7,687	7,424	4	7,845	(2)	7,053	9
Expected credit loss provisions	(5,371)	(5,348)	–	(5,460)	(2)	(5,220)	3
Of which stage 1	(451)	(507)	(11)	(559)	(19)	(502)	(10)
Of which stage 2	(400)	(446)	(10)	(444)	(10)	(385)	4
Of which stage 3	(4,520)	(4,395)	3	(4,457)	1	(4,333)	4
Net loans and advances to customers	290,137	300,627	(3)	310,647	(7)	293,509	(1)
Of which stage 1	277,260	285,828	(3)	294,660	(6)	278,635	–
Of which stage 2	9,710	11,770	(18)	12,599	(23)	12,154	(20)
Of which stage 3	3,167	3,029	5	3,388	(7)	2,720	16
Cover ratio of stage 3 before/after collateral (%)[3]	59 / 78	59 / 79	0 / (1)	57 / 76	2 / 2	61 / 80	(2) / (2)
Credit grade 12 accounts ($million)	1,316	1,642	(20)	1,574	(16)	835	58
Early alerts ($million)	4,443	5,351	(17)	4,967	(11)	7,524	(41)
Investment grade corporate exposures (%)[3]	74	75	(1)	76	(2)	71	3

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 $10,950 million at 30 June 2023, $14,398 million at 31 March 2023, $24,498 million at 31 December 2022 and $7,894 million at 30 June 2022
3 Change is the percentage points difference between the two points rather than the percentage change

Asset quality remained resilient in the first half which was reflected in lower credit impairment charges and an improvement in several underlying credit metrics. However, the Group continues to remain alert to a volatile and challenging external environment which has seen idiosyncratic stress in a select number of markets and industry sectors.

Credit impairment was a $172 million charge in the half, down 35 per cent year-on-year. There was an ongoing $108 million charge relating to CPBB net of a $34 million release relating to non-linearity post-model adjustments and $21 million release from the COVID-19 management overlay. There was a net release of $21 million relating to sovereign downgrades, as additional charges relating to Sri Lanka was more than offset by a net release relating to Ghana sovereign exposures. There was also a $82 million net charge relating to the China commercial real estate sector, with further Stage 3 impairments partly offset by a $37million decrease in the management overlay. The remaining China commercial real estate sector management overlay is now $136 million, and the COVID-19 overlay has been fully released.

The credit impairment charge represents an annualised loan loss rate of 11 basis points, this is higher than what would be implied by the low credit impairment charge alone as it excludes the impairment releases on debt securities of $37 million.

Gross stage 3 loans and advances to customers of $7.7 billion were down 2 per cent compared with 31 December 2022. This reflects repayments, client upgrades, reduction in exposures and write-offs more than offsetting new inflows. Credit-impaired loans represented 2.6 per cent of gross loans and advances, an increase of 12 basis points in the half. This reflects the fact that total loans and advances to customers shrank more quickly than gross stage 3 loans.

The stage 3 cover ratio of 59 per cent increased 2 percentage points compared with the position as at 31 December 2022. The cover ratio post collateral also increased 2 percentage points to 78 per cent, with both ratios increasing due to new and incremental provisions taken in the first half.

Credit grade 12 balances have decreased by 16 per cent since 31 December 2022 to $1.3 billion reflecting both improvements into stronger credit grades and downgrades to Stage 3.

Early Alert accounts of $4.4 billion have decreased by $0.5 billion since 31 December 2022 and have reduced by $3.1 billion since 30 June 2022. The half-on-half decline primarily relates to upgrades in the Aviation sector and repayments in the China commercial real estate sector. The Group is continuing to carefully monitor its exposures in vulnerable sectors and select markets, given the unusual stresses caused by the challenging macro-economic environment.

The proportion of investment-grade corporate exposures fell by 2 percentage points since 31 December 2022 to 74 per cent reflecting the decrease in reverse repurchase agreements.

Restructuring and other items

	1H'23		1H'22[1]	
	Restructuring $million	DVA $million	Restructuring $million	DVA $million
Operating income	215	(39)	246	120
Operating expenses	(164)	–	(232)	–
Credit impairment	11	–	1	–
Other impairment	(14)	–	(14)	–
Profit from associates and joint ventures	8	–	–	–
Profit/(loss) before taxation	56	(39)	1	120

1 Restructuring, DVA and other items for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating Performance

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.

The Group has signed sale agreements to exit seven markets in the AME region and will focus solely on the CCIB segment in two more "exit markets". Additionally, the Group announced that it intends to explore alternatives for the future ownership of its Aviation Finance business. As a result of these announcements, effective 1st January 2023, the Group no longer includes the exit markets and the Aviation Finance business within the Group's underlying operating profit before taxation but will report them within restructuring.

The Group is also reclassifying movements in the debit valuation adjustment (DVA) out of its underlying operating profit before taxation and into other items.

To aid comparisons with prior periods the Group has removed the exit markets, Aviation Finance business and DVA from its underlying operating profit before taxation for 2022.

Restructuring profits of $56 million primarily reflect the profit from the exit markets and Aviation Finance businesses partly offset by losses on the remaining Principal Finance portfolio and redundancy charges.

DVA was a negative $39 million movement driven by the narrowing of the Group's asset swap spreads on derivative liability exposures. The size of the portfolio subject to DVA did not change materially.

Balance sheet and liquidity

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
Assets							
Loans and advances to banks	44,602	38,216	17	39,519	13	36,201	23
Loans and advances to customers	290,137	300,627	(3)	310,647	(7)	293,508	(1)
Other assets	503,972	481,835	5	469,756	7	506,208	–
Total assets	838,711	820,678	2	819,922	2	835,917	–
Liabilities							
Deposits by banks	28,560	26,889	6	28,789	(1)	31,173	(8)
Customer accounts	469,567	462,169	2	461,677	2	453,742	3
Other liabilities	290,903	281,609	3	279,440	4	301,310	(3)
Total liabilities	789,030	770,667	2	769,906	2	786,225	–
Equity	49,681	50,011	(1)	50,016	(1)	49,692	–
Total equity and liabilities	838,711	820,678	2	819,922	2	835,917	–
Advances-to-deposits ratio (%)[2]	53.6%	56.2%		57.4%		59.6%	
Liquidity coverage ratio (%)	164%	161%		147%		142%	

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

2 The Group now excludes $24,749 million held with central banks (31.03.23: $24,173 million, 31.12.22: $20,798 million, 30.06.22: $16,918 million) that has been confirmed as repayable at the point of stress. Advances exclude repurchase agreement and other similar secured lending of $10,950 million and include loans and advances to customers held at fair value through profit or loss of $5,368 million. Deposits include customer accounts held at fair value through profit or loss of $14,935 million

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

- Loans and advances to banks were 13 per cent or $5 billion higher from 31 December 2022 to $45 billion
- Loans and advances to customers decreased 7 per cent, or $21 billion, from 31 December 2022 to $290 billion. These items include the impact of $20 billion reduction from Treasury and securities backed loans, primarily reverse repurchase agreements, held to collect, risk-weighted asset optimisation actions in CCIB and adverse currency translation and a reclassification of Aviation Finance loans amounting to $1 billion into Held for Sale assets. Excluding these adjustments, loans and advances were broadly stable in the half
- Customer accounts increased 2 per cent, or $8 billion, from 31 December 2022 to $470 billion. An increase in Cash Management balances and retail time deposits was partly offset by an outflow of retail current account balances
- Other assets increased 7 per cent, or $34 billion from 31 December 2022 to $504 billion. A $28 billion increase in cash and balances at central banks was partially offset by a $10 billion reduction in investment securities and a $3 billion reduction in derivative balances
- Other liabilities increased 4 per cent, or $12 billion, from 31 December 2022 to $291 billion with an increase in repurchase agreements being partly offset by reduced derivative liabilities

The advances-to-deposits ratio decreased to 53.6 per cent from 57.4 per cent at 31 December 2022. The liquidity coverage ratio increased 17 percentage point to 164 per cent and remains well above the minimum regulatory requirement.

Risk-weighted assets

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
By risk type							
Credit risk	197,151	200,632	(2)	196,855	–	205,179	(4)
Operational risk	27,861	27,861	–	27,177	3	27,177	3
Market risk	24,105	22,400	8	20,679	17	22,726	6
Total RWAs	249,117	250,893	(1)	244,711	2	255,082	(2)

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

Total risk-weighted assets (RWA) increased 2 per cent or $4.4 billion since 31 December 2022 to $249.1 billion:

- Credit risk RWA was broadly flat in the first half at $197.2 billion. There was a $6.9 billion reduction from optimisation actions, primarily in the CCIB low-returning portfolio and a $2.9 billion reduction from currency translation. This was offset by a $8.2 billion increase from asset growth & mix and a $1.3 billion increase from derivatives
- Operational risk RWA increased $0.7 billion primarily due to an increase in average income as measured over a rolling three-year time horizon, with higher 2022 income replacing lower 2019 income
- Market risk RWA increased by $3.4 billion to $24.1 billion reflecting an increased level of Financial Markets activity and an increase in Internal Models Approach add-ons for risks not captured by VaR

Capital base and ratios

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
CET1 capital	34,896	34,402	1	34,157	2	35,373	(1)
Additional Tier 1 capital (AT1)	5,492	5,492	–	6,484	(15)	5,244	5
Tier 1 capital	40,388	39,894	1	40,641	(1)	40,617	(1)
Tier 2 capital	12,281	12,424	(1)	12,510	(2)	13,020	(6)
Total capital	52,669	52,318	1	53,151	(1)	53,637	(2)
CET1 capital ratio(%)[2]	14.0	13.7	0.3	14.0	0.0	13.9	0.1
Total capital ratio(%)[2]	21.1	20.9	0.2	21.7	(0.6)	21.0	0.1
Leverage ratio (%)[2]	4.8	4.7	0.1	4.8	–	4.5	0.3

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 14.0 per cent was 5 basis points higher than the ratio as at 31 December 2022. An increase in RWAs and the reduction in CET1 from shareholder distributions was offset by profit accretion. The CET1 ratio remains 3.6 percentage points above the Group's latest regulatory minimum of 10.4 per cent and at the top of the 13-14 per cent target range.

The Group is part way through the $1 billion share buyback programme which it announced on 16 February 2023, and by 30 June 2023 had spent $736 million purchasing and cancelling 94 million ordinary shares, reducing the share count by approximately 3 per cent. Even though the share buyback was still ongoing on 30 June 2023, the entire $1 billion is deducted from CET1 in the period, reducing the CET1 ratio by 41 basis points.

The Board has decided to carry out an additional share buy-back commencing imminently for up to a maximum consideration of $1 billion 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 program will run concurrently with the current program and is expected to reduce the Group's CET1 ratio in the third quarter of 2023 by approximately 40 basis points.

The Board has recommended an interim 2023 ordinary dividend of 6 cents a share, an increase of 50 per cent, one third of the ordinary full-year dividend paid in 2022.

The $4.4 billion increase in RWAs in the first half accounted for a 25 basis points reduction in the CET1 ratio. The above reductions to the CET1 ratio were offset by 97 basis points uplift from profit accretion in the half.

The Group's leverage ratio of 4.8 per cent is in-line with the ratio as at 31 December 2022. This is primarily driven by profit accretion offset by a call of $1.0 billion Additional Tier 1 securities, effective 2 April 2023 and shareholder distributions. The Group's leverage ratio remains significantly above its minimum requirement of 3.7 per cent.

Outlook

We have made a strong start to 2023 with positive momentum being supported by progress on our five strategic actions and the markets in our footprint are expected to continue to grow faster than those in the West.

We are therefore upgrading our 2023 guidance:

- Income to increase by 12 to 14 per cent at constant currency
- Full year average net interest margin of around 170 basis points
- Assets growth in the low single digit percentage range in the second half of the year from 30 June 2023
- RWA growth in the low single digit percentage range
- Positive income-to-cost jaws of around 4 percentage points, excluding UK bank levy at constant currency
- Full year loan loss rate to be in the range of 17-25 basis points
- Operate dynamically within the full 13 to 14 per cent CET1 target range
- Return on Tangible Equity of 10 per cent

Andy Halford
Group Chief Financial Officer

28 July 2023

Supplementary financial information

Underlying performance by client segment

	1H'23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	5,823	3,556	89	(517)	8,951
External	4,569	2,154	89	2,139	8,951
Inter-segment	1,254	1,402	–	(2,656)	–
Operating expenses	(2,818)	(2,075)	(211)	(400)	(5,504)
Operating profit/(loss) before impairment losses and taxation	3,005	1,481	(122)	(917)	3,447
Credit impairment	(69)	(108)	(23)	28	(172)
Other impairment	(21)	–	–	(42)	(63)
Profit from associates and joint ventures	–	–	(13)	107	94
Underlying profit/(loss) before taxation	2,915	1,373	(158)	(824)	3,306
Restructuring	73	(16)	(1)	–	56
DVA	(39)	–	–	–	(39)
Statutory profit/(loss) before taxation	2,949	1,357	(159)	(824)	3,323
Total assets	401,001	129,660	3,076	304,974	838,711
Of which: loans and advances to customers[2]	174,214	127,039	947	33,623	335,823
loans and advances to customers	128,548	127,020	947	33,622	290,137
loans held at fair value through profit or loss (FVTPL)	45,666	19	–	1	45,686
Total liabilities	490,697	190,690	2,317	105,326	789,030
Of which: customer accounts[2]	333,584	185,741	2,072	8,394	529,791
Risk-weighted assets	147,258	50,664	1,925	49,270	249,117
Income return on risk-weighted assets (%)	8.0	14.1	13.0	(2.1)	7.3
Underlying return on tangible equity (%)	20.8	28.2	nm[3]	(25.6)	12.0
Cost-to-income ratio (%)	48.4	58.4	nm[3]	nm[3]	61.5

	1H'22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	4,569	2,845	5	440	7,859
External	4,273	2,586	5	995	7,859
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,565)	(2,050)	(146)	(335)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,004	795	(141)	105	2,763
Credit impairment	(194)	(80)	(3)	13	(264)
Other impairment	–	(1)	–	–	(1)
Profit from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,810	714	(151)	278	2,651
Restructuring	30	(17)	(1)	(11)	1
DVA	120	–	–	–	120
Statutory profit/(loss) before taxation	1,960	697	(152)	267	2,772
Total assets	427,483	134,979	1,371	272,084	835,917
Of which: loans and advances to customers[2]	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[2]	321,517	175,747	689	9,058	507,011
Risk-weighted assets	154,177	52,518	1,043	47,344	255,082
Income return on risk-weighted assets (%)	5.7	10.7	2.0	1.7	5.9
Underlying return on tangible equity (%)	11.7	14.0	nm[3]	(0.4)	9.3
Cost-to-income ratio (%)	56.1	72.1	nm[3]	77.3	64.9

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance
2 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
3 Not meaningful

Corporate, Commercial & Institutional Banking

	1H'23 $million	1H'22[1,4] $million	Change[3] %	Constant currency change[2,3] %	2Q'23 $million	2Q'22[1,4] $million	Change[3] %	Constant currency change[2,3] %	1Q'23[4] $million	Change[3] %	Constant currency change[2,3] %
Operating income	5,823	4,569	27	33	2,931	2,176	35	39	2,892	1	2
Transaction Banking	2,772	1,501	85	92	1,416	798	77	83	1,356	4	5
Trade & Working capital	642	661	(3)	1	322	321	0	4	320	1	1
Cash Management	2,130	840	154	164	1,094	477	129	136	1,036	6	6
Financial Markets	2,805	2,812	–	4	1,391	1,255	11	15	1,414	(2)	(1)
Macro Trading	1,655	1,601	3	8	825	662	25	30	830	(1)	–
Credit Markets	922	870	6	10	462	396	17	19	460	–	1
Credit Trading	312	189	65	76	140	84	67	75	172	(19)	(18)
Financing Solutions & Issuance[4]	610	681	(10)	(8)	322	312	3	5	288	12	12
Financing & Securities Services[4]	228	341	(33)	(32)	104	197	(47)	(47)	124	(16)	(18)
Lending & Portfolio Management	249	260	(4)	–	125	124	1	5	124	1	2
Retail Products	1	–	nm[8]	nm[8]	1	–	nm[8]	nm[8]	–	nm[8]	nm[8]
Deposits	1	–	nm[8]	nm[8]	1	–	nm[8]	nm[8]	–	nm[8]	nm[8]
Other	(4)	(4)	–	20	(2)	(1)	(100)	–	(2)	–	–
Operating expenses	(2,818)	(2,565)	(10)	(13)	(1,403)	(1,313)	(7)	(10)	(1,415)	1	–
Operating profit before impairment losses and taxation	3,005	2,004	50	58	1,528	863	77	86	1,477	3	3
Credit impairment	(69)	(194)	64	64	(77)	(48)	(60)	(36)	8	nm[8]	nm[8]
Other impairment	(21)	–	nm[8]	nm[8]	(21)	–	nm[8]	nm[8]	–	nm[8]	nm[8]
Underlying profit before taxation	2,915	1,810	61	71	1,430	815	75	86	1,485	(4)	(4)
Restructuring	73	30	143	nm[8]	34	17	100	192	39	(13)	(5)
DVA	(39)	120	(133)	(133)	(93)	35	nm[8]	nm[8]	54	nm[8]	nm[8]
Statutory profit before taxation	2,949	1,960	50	59	1,371	867	58	69	1,578	(13)	(13)
Total assets	401,001	427,483	(6)	(5)	401,001	427,483	(6)	(5)	394,873	2	3
Of which: loans and advances to customers[5]	174,214	192,439	(9)	(9)	174,214	192,439	(9)	(9)	181,335	(4)	(3)
Total liabilities	490,697	500,400	(2)	(1)	490,697	500,400	(2)	(1)	476,993	3	4
Of which: customer accounts[5]	333,584	321,517	4	5	333,584	321,517	4	5	335,996	(1)	–
Risk-weighted assets	147,258	154,177	(4)	nm[8]	147,258	154,177	(4)	nm[8]	148,550	(1)	nm[8]
Income return on risk-weighted assets (%)[6]	8.0	5.7	230bps	nm[8]	8.1	5.5	260bps	nm[8]	8.0	10bps	nm[8]
Underlying return on tangible equity (%)[6]	20.8	11.7	910bps	nm[8]	20.4	10.7	970bps	nm[8]	21.2	(80)bps	nm[8]
Cost-to-income ratio (%)[7]	48.4	56.1	7.7	8.3	47.9	60.3	12.4	13.0	48.9	1.0	(11.4)

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance
2 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
3 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)
4 Shipping Finance is now reported under "Financing Solutions & Issuance" which was reported under "Financing & Securities Services" in 1Q'23
5 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
6 Change is the basis points (bps) difference between the two periods rather than the percentage change
7 Change is the percentage points difference between the two periods rather than the percentage change
8 Not meaningful

Performance highlights

- Underlying profit before tax of $2,915 million was up 61 per cent, mainly driven by higher income and lower impairment partially offset by higher expenses
- Underlying operating income of $5,823 million was up 27 per cent (up 33 per cent at constant currency), primarily driven by Cash Management, which more than doubled year on year, reflecting strong pricing discipline and passthrough rate management to take advantage of the higher interest rate environment. Financial Markets income was broadly flat year on year but up by 8 per cent excluding the non-repeat of $216 million gains on mark-to-market liabilities. Macro Trading had a record first half, up 8 per cent, with strong double-digit growth in Rates and high single-digit growth in FX leading to record performances partly offsetting a non-repeat of last year's record performance in Commodities. Credit Markets income was up 10 per cent with strong growth and a record half in Credit Trading income offset by lower Financing Solutions & Issuance
- Credit impairment was a net charge of $69 million mainly from stage 2 and 3 primarily related to China CRE exposures
- Risk-weighted assets were up $4 billion since 31.12.22, mainly as a result of underlying asset growth & mix, partly offset by optimisation of lower returning portfolios and favourable foreign exchange translation
- Return on tangible equity increased from 11.7 per cent to 20.8 per cent

Consumer, Private & Business Banking

	1H'23 $million	1H'22[1] $million	Change[3] %	Constant currency change[2,3] %	2Q'23 $million	2Q'22[1] $million	Change[3] %	Constant currency change[2,3] %	1Q'23 $million	Change[3] %	Constant currency change[2,3] %
Operating income	3,556	2,845	25	30	1,784	1,435	24	27	1,772	1	1
Transaction Banking	88	52	69	80	45	26	73	80	43	5	5
Trade & Working capital	23	31	(26)	(23)	12	15	(20)	(20)	11	9	9
Cash Management	65	21	nm[7]	nm[7]	33	11	nm[7]	nm[7]	32	3	3
Lending & Portfolio Management	17	22	(23)	(11)	7	12	(42)	(36)	10	(30)	(30)
Wealth Management	1,006	984	2	5	495	456	9	10	511	(3)	(3)
Retail Products	2,434	1,776	37	43	1,227	940	31	34	1,207	2	2
CCPL & other unsecured lending	539	604	(11)	(7)	264	305	(13)	(10)	275	(4)	(3)
Deposits	1,638	597	174	188	857	355	141	148	781	10	10
Mortgage & Auto	188	481	(61)	(60)	74	235	(69)	(68)	114	(35)	(34)
Other Retail Products	69	94	(27)	(22)	32	45	(29)	(23)	37	(14)	(8)
Other	11	11	–	(8)	10	1	nm[7]	nm[7]	1	nm[7]	nm[7]
Operating expenses	(2,075)	(2,050)	(1)	(5)	(1,042)	(1,044)	–	(2)	(1,033)	(1)	(2)
Operating profit before impairment losses and taxation	1,481	795	86	94	742	391	90	96	739	–	–
Credit impairment	(108)	(80)	(35)	(44)	(46)	(45)	(2)	(9)	(62)	26	23
Other impairment	–	(1)	100	–	–	–	nm[7]	–	–	nm[7]	nm[7]
Underlying profit before taxation	1,373	714	92	100	696	346	101	107	677	3	2
Restructuring	(16)	(17)	6	30	(14)	(13)	(8)	7	(2)	nm[7]	nm[7]
Statutory profit before taxation	1,357	697	95	105	682	333	105	112	675	1	1
Total assets	129,660	134,979	(4)	(3)	129,660	134,979	(4)	(3)	130,669	(1)	–
Of which: loans and advances to customers[4]	127,039	132,275	(4)	(3)	127,039	132,275	(4)	(3)	128,102	(1)	–
Total liabilities	190,690	179,637	6	7	190,690	179,637	6	7	188,050	1	2
Of which: customer accounts[4]	185,741	175,747	6	7	185,741	175,747	6	7	182,856	2	2
Risk-weighted assets	50,664	52,518	(4)	nm[7]	50,664	52,518	(4)	nm[7]	50,621	–	nm[7]
Income return on risk-weighted assets (%)[5]	14.1	10.7	340bps	nm[7]	14.1	10.9	320bps	nm[7]	14.1	–	nm[7]
Underlying return on tangible equity (%)[5]	28.2	14.0	1,420bps	nm[7]	28.3	13.6	1,470bps	nm[7]	28.0	30bps	nm[7]
Cost-to-income ratio (%)[6]	58.4	72.1	13.7	13.9	58.4	72.8	14.4	14.5	58.3	(0.1)	(0.3)

1 Underlying performance for relevant periods in 2022 has been restated for the removal of exit markets and businesses in AME.
2 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
3 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)
4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
5 Change is the basis points (bps) difference between the two periods rather than the percentage change
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 almost doubled to $1,373 million, driven by higher income partially offset by higher expenses and higher credit impairments
- Underlying operating income of $3,556 million was up 25 per cent (up 30 per cent on a constant currency basis), as the benefit from higher interest rates on Retail Deposit income was partly offset by lower Mortgage income negatively impacted by the Best Lending Rate cap in Hong Kong, and Wealth Management returned to growth, up 5 per cent on a constant currency basis
- Customer accounts were up 6 per cent (up 7 per cent on a constant currency basis) since 30.06.22
- Return on tangible equity increased from 14.0 per cent to 28.2 per cent

Ventures

	1H'23 $million	1H'22 $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22 $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	89	5	nm[6]	nm[6]	72	4	nm[6]	nm[6]	17	nm[6]	nm[6]
Retail Products	17	5	nm[6]	167	12	4	nm[6]	175	5	140	120
CCPL & other unsecured lending	37	6	nm[6]	nm[6]	22	5	nm[6]	nm[6]	15	47	47
Deposits	(20)	(1)	nm[6]	nm[6]	(10)	–	nm[6]	nm[6]	(10)	–	(10)
Other Retail Products	–	–	nm[6]	nm[6]	–	(1)	100	nm[6]	–	nm[6]	nm[6]
Treasury	12	–	nm[6]	nm[6]	7	–	nm[6]	nm[6]	5	40	40
Other	60	–	nm[6]	nm[6]	53	–	nm[6]	nm[6]	7	nm[6]	nm[6]
Operating expenses	(211)	(146)	(45)	(45)	(109)	(74)	(47)	(45)	(102)	(7)	(7)
Operating loss before impairment losses and taxation	(122)	(141)	13	12	(37)	(70)	47	46	(85)	56	55
Credit impairment	(23)	(3)	nm[6]	nm[6]	(13)	–	nm[6]	nm[6]	(10)	(30)	(30)
Other impairment	–	–	nm[6]	nm[6]	–	–	nm[6]	nm[6]	–	nm[6]	nm[6]
Profit from associates and joint ventures	(13)	(7)	(86)	(86)	(5)	(4)	(25)	(25)	(8)	38	38
Underlying loss before taxation	(158)	(151)	(5)	(6)	(55)	(74)	26	25	(103)	47	46
Restructuring	(1)	(1)	0	0	(1)	(1)	–	–	–	nm[6]	nm[6]
Statutory loss before taxation	(159)	(152)	(5)	(6)	(56)	(75)	25	25	(103)	46	45
Total assets	3,076	1,371	124	141	3,076	1,371	124	141	2,683	15	16
Of which: loans and advances to customers[3]	947	342	177	176	947	342	177	176	812	17	17
Total liabilities	2,317	770	nm[6]	nm[6]	2,317	770	nm[6]	nm[6]	1,955	19	19
Of which: customer accounts[3]	2,072	689	nm[6]	nm[6]	2,072	689	nm[6]	nm[6]	1,767	17	18
Risk-weighted assets	1,925	1,043	85	nm[6]	1,925	1,043	85	nm[6]	1,627	18	nm[6]
Income return on risk-weighted assets (%)[4]	13.0	2.0	1,100bps	nm[6]	18.9	2.2	1,670bps	nm[6]	5.5	1,340bps	nm[6]
Underlying return on tangible equity (%)[4]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]
Cost-to-income ratio (%)[5]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[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 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 loss before tax increased $7 million to $158 million, reflecting the Group's continued investment in transformational digital initiatives, with expenses increasing $65 million which was more than offset by an $84 million increase in income reflecting the growth in customer numbers within Mox and Trust Bank
- Credit Impairment increased $20 million to $23 million reflecting the build of expected credit loss provisions as the credit portfolios grow
- Loans and advances to customers increased almost three-fold since 30.06.22, due to Mox and Trust's customer growth and higher engagement
- Customer account liabilities increased three-fold since 30.06.22 also driven by the launch of Trust Bank in Singapore

Central & other items (segment)

	1H'23 $million	1H'22[1] $million	Change[3] %	Constant currency change[2,3] %	2Q'23 $million	2Q'22[1] $million	Change[3] %	Constant currency change[2,3] %	1Q'23 $million	Change[3] %	Constant currency change[2,3] %
Operating income	(517)	440	nm[7]	nm[7]	(232)	168	nm[7]	nm[7]	(285)	19	21
Treasury	(405)	515	(179)	(181)	(167)	201	(183)	(183)	(238)	30	31
Other	(112)	(75)	(49)	(70)	(65)	(33)	(97)	(121)	(47)	(38)	(33)
Operating expenses	(400)	(335)	(19)	(37)	(275)	(115)	(139)	(171)	(125)	(120)	(121)
Operating (loss)/profit before impairment losses and taxation	(917)	105	nm[7]	nm[7]	(507)	53	nm[7]	nm[7]	(410)	(24)	(22)
Credit impairment	28	13	115	64	(10)	27	(137)	(168)	38	(126)	(136)
Other impairment	(42)	–	nm[7]	nm[7]	(42)	–	nm[7]	nm[7]	–	nm[7]	nm[7]
Profit from associates and joint ventures	107	160	(33)	(33)	88	94	(6)	(6)	19	nm[7]	nm[7]
Underlying (loss)/profit before taxation	(824)	278	nm[7]	nm[7]	(471)	174	nm[7]	nm[7]	(353)	(33)	(32)
Restructuring	–	(11)	100	110	(11)	(19)	42	19	11	nm[7]	(193)
Statutory (loss)/profit before taxation	(824)	267	nm[7]	nm[7]	(482)	155	nm[7]	nm[7]	(342)	(41)	(41)
Total assets	304,974	272,084	12	12	304,974	272,084	12	12	292,453	4	5
Of which: loans and advances to customers[4]	33,623	29,418	14	14	33,623	29,418	14	14	36,816	(9)	(7)
Total liabilities	105,326	105,418	(0)	0	105,326	105,418	(0)	0	103,669	2	2
Of which: customer accounts[4]	8,394	9,058	(7)	(8)	8,394	9,058	(7)	(8)	5,792	45	47
Risk-weighted assets	49,270	47,344	4	nm[7]	49,270	47,344	4	nm[7]	50,095	(2)	nm[7]
Income return on risk-weighted assets (%)[5]	(2.1)	1.7	(380)bps	nm[7]	(1.9)	1.3	(320)bps	nm[7]	(2.3)	40bps	nm[7]
Underlying return on tangible equity (%)[5]	(25.6)	(0.4)	nm[7]	nm[7]	(25.4)	(0.8)	nm[7]	nm[7]	(25.7)	30bps	nm[7]
Cost-to-income ratio (%) (excluding UK bank levy)[6]	nm[7]	77.3	nm[7]	nm[7]	nm[7]	71.4	nm[7]	nm[7]	(43.9)	nm[7]	nm[7]

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2 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
3 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)
4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
5 Change is the basis points (bps) difference between the two periods rather than the percentage change
6 Change is the percentage points difference between the two periods rather than the percentage change
7 Not meaningful

Performance highlights

- Central & other items (segment) recorded a loss of $824 million with negative income of $517 million including the $538 million loss from hedges. Expenses increased by $65 million while a net release in credit impairment was more than offset by other impairment relating to software assets. Associates profit share reduced by $53 million

Underlying performance by region

	1H'23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	6,355	1,441	850	305	8,951
Operating expenses	(3,527)	(796)	(866)	(315)	(5,504)
Operating profit/(loss) before impairment losses and taxation	2,828	645	(16)	(10)	3,447
Credit impairment	(182)	9	(4)	5	(172)
Other impairment	(2)	(1)	9	(69)	(63)
Profit from associates and joint ventures	105	–	–	(11)	94
Underlying profit/(loss) before taxation	2,749	653	(11)	(85)	3,306
Restructuring	(22)	35	19	24	56
DVA	(22)	(3)	(14)	–	(39)
Statutory profit/(loss) before taxation	2,705	685	(6)	(61)	3,323
Total assets	500,118	50,716	278,561	9,316	838,711
Of which: loans and advances to customers[1]	255,211	22,498	58,114	–	335,823
loans and advances to customers	240,304	20,987	28,846	–	290,137
loans held at fair value through profit or loss (FVTPL)	14,907	1,511	29,268	–	45,686
Total liabilities	445,833	40,487	233,442	69,268	789,030
Of which: customer accounts[1]	353,487	30,922	145,382	–	529,791
Risk-weighted assets	155,410	41,068	48,787	3,852	249,117
Income return on risk-weighted assets (%)[2]	8.3	7.1	3.4	17.1	7.3
Underlying return on tangible equity (%)[2]	19.1	16.5	(0.3)	nm[5]	12.0
Cost-to-income ratio (%)[3]	55.5	55.2	101.9	nm[5]	61.5

	1H'22[4]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	5,339	1,202	1,375	(57)	7,859
Operating expenses	(3,318)	(749)	(762)	(267)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,021	453	613	(324)	2,763
Credit impairment	(398)	99	31	4	(264)
Other impairment	(3)	(1)	2	1	(1)
Profit from associates and joint ventures	156	–	–	(3)	153
Underlying profit/(loss) before taxation	1,776	551	646	(322)	2,651
Restructuring	13	19	(12)	(19)	1
DVA	43	15	62	–	120
Statutory profit/(loss) before taxation	1,832	585	696	(341)	2,772
Total assets	477,485	57,859	291,264	9,309	835,917
Of which: loans and advances to customers[1]	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[1]	332,705	33,480	140,826	–	507,011
Risk-weighted assets	160,345	43,613	50,038	1,086	255,082
Income return on risk-weighted assets (%)[2]	6.4	5.3	5.4	(5.3)	5.9
Underlying return on tangible equity (%)[2]	11.3	12.4	13.3	nm[5]	9.3
Cost-to-income ratio (%)[3]	62.1	62.3	55.4	nm[5]	64.9

1 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
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3 Change is the percentage points difference between the two periods rather than the percentage change
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5 Not meaningful

Asia

	1H'23 $million	1H'22[6] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[6] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	6,355	5,339	19	23	3,164	2,641	20	22	3,191	(1)	–
Operating expenses	(3,527)	(3,318)	(6)	(9)	(1,777)	(1,696)	(5)	(7)	(1,750)	(2)	(2)
Operating profit before impairment losses and taxation	2,828	2,021	40	44	1,387	945	47	50	1,441	(4)	(3)
Credit impairment	(182)	(398)	54	53	(118)	(115)	(3)	6	(64)	(84)	(86)
Other impairment	(2)	(3)	33	–	(3)	(3)	–	–	1	nm[7]	nm[7]
Profit from associates and joint ventures	105	156	(33)	(33)	88	91	(3)	(3)	17	nm[7]	nm[7]
Underlying profit before taxation	2,749	1,776	55	59	1,354	918	47	53	1,395	(3)	(3)
Restructuring	(22)	13	nm[7]	nm[7]	(15)	6	nm[7]	nm[7]	(7)	(114)	(114)
DVA	(22)	43	(151)	(152)	(35)	12	nm[7]	nm[7]	13	nm[7]	nm[7]
Statutory profit before taxation	2,705	1,832	48	52	1,304	936	39	44	1,401	(7)	(7)
Total assets	500,118	477,485	5	6	500,118	477,485	5	6	488,860	2	4
Of which: loans and advances to customers[3]	255,211	259,484	(2)	(1)	255,211	259,484	(2)	(1)	259,161	(2)	–
Total liabilities	445,833	431,424	3	4	445,833	431,424	3	4	441,492	1	2
Of which: customer accounts[3]	353,487	332,705	6	7	353,487	332,705	6	7	352,016	–	1
Risk-weighted assets	155,410	160,345	(3)	nm[7]	155,410	160,345	(3)	nm[7]	153,062	2	nm[7]
Income return on risk-weighted assets (%)[4]	8.3	6.4	190bps	nm[7]	8.2	6.4	180bps	nm[7]	8.4	(20)bps	nm[7]
Underlying return on tangible equity (%)[4]	19.1	11.3	780bps	nm[7]	18.8	11.9	694bps	nm[7]	19.6	(80)bps	nm[7]
Cost-to-income ratio (%)[5]	55.5	62.1	6.6	6.6	56.2	64.2	8.0	8.0	54.8	(1.4)	(1.4)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
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7 Not meaningful

Performance highlights

- Underlying profit before tax of $2,749 million was up 55 per cent due to strong income growth and lower credit impairment partly offset by higher costs and lower China Bohai Bank profit share, down $51 million
- Underlying operating income of $6,355 million was up 19 per cent (up 23 per cent on a constant currency basis). Strong growth in Cash management, Retail deposits. Financial Markets and Wealth Management income was offset by lower Mortgage income and a loss in treasury markets
- Credit Impairment more than halved to $182 million in 1H'23 compared to $398 million for the same period last year mainly due to lower provisions related to the China commercial real estate sector
- Loans and advances to customers were down 2 per cent (down 1 per cent on a constant currency basis) since 30.06.22
- Risk-weighted assets were down $5 billion since 30.06.22
- RoTE increased from 11.3 per cent to 19.1 per cent

Africa & Middle East

	1H'23 $million	1H'22[6] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[6] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	1,441	1,202	20	34	765	593	29	42	676	13	14
Operating expenses	(796)	(749)	(6)	(13)	(399)	(376)	(6)	(13)	(397)	(1)	(2)
Operating profit before impairment losses and taxation	645	453	42	74	366	217	69	98	279	31	32
Credit impairment	9	99	(91)	(96)	(17)	55	(131)	(135)	26	(165)	(183)
Other impairment	(1)	(1)	–	(100)	–	(1)	100	(100)	(1)	100	(100)
Underlying profit before taxation	653	551	19	39	349	271	29	45	304	15	15
Restructuring	35	19	84	nm[7]	17	3	nm[7]	nm[7]	18	(6)	–
DVA	(3)	15	(120)	(120)	(10)	6	nm[7]	nm[7]	7	nm[7]	nm[7]
Statutory profit before taxation	685	585	17	39	356	280	27	45	329	8	9
Total assets	50,716	57,859	(12)	(4)	50,716	57,859	(12)	(4)	52,124	(3)	1
Of which: loans and advances to customers[3]	22,498	28,003	(20)	(13)	22,498	28,003	(20)	(13)	24,334	(8)	(4)
Total liabilities	40,487	42,672	(5)	2	40,487	42,672	(5)	2	39,606	2	5
Of which: customer accounts[3]	30,922	33,480	(8)	(1)	30,922	33,480	(8)	(1)	30,933	–	2
Risk-weighted assets	41,068	43,613	(6)	nm[7]	41,068	43,613	(6)	nm[7]	41,995	(2)	nm[7]
Income return on risk-weighted assets (%)[4]	7.1	5.3	180bps	nm[7]	7.6	5.3	230bps	nm[7]	6.7	90bps	nm[7]
Underlying return on tangible equity (%)[4]	16.5	12.4	410bps	nm[7]	17.9	12.5	537bps	nm[7]	15.1	280bps	nm[7]
Cost-to-income ratio (%)[5]	55.2	62.3	7.1	10.2	52.2	63.4	11.2	13.4	58.7	6.5	6.4

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7 Not meaningful

Performance highlights

- Underlying profit before tax of $653 million, the highest half-yearly profit since 2015, was up 19 per cent (up 39 per cent on a constant currency basis), driven by higher income partially offset by lower releases in credit provisions and increase in expenses
- Underlying operating income of $1,441 million was up 20 per cent (up 34 per cent on a constant currency basis). With strong growth in Cash Management, Financial Markets and Retail Deposits
- Credit Impairment was a net release of $9m in 1H'23 compared to $99m release in 1H'22
- Loans and advances to customers were down 20 per cent, since 30.06.22, partly due to FX depreciation and de-risking actions, and Customer accounts were down 8 per cent
- Risk-weighted assets were down 6 per cent since 30.06.22
- RoTE increased from 12.4 per cent to 16.5 per cent

Europe & Americas

	1H'23 $million	1H'22[6] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[6] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	850	1,375	(38)	(38)	437	567	(23)	(23)	413	6	5
Operating expenses	(866)	(762)	(14)	(15)	(433)	(385)	(12)	(13)	(433)	–	0
Operating profit/(loss) before impairment losses and taxation	(16)	613	(103)	(103)	4	182	(98)	(99)	(20)	120	111
Credit impairment	(4)	31	(113)	(113)	(6)	(7)	14	29	2	nm[7]	nm[7]
Other impairment	9	2	nm[7]	nm[7]	9	2	nm[7]	nm[7]	–	nm[7]	nm[7]
Underlying profit/(loss) before taxation	(11)	646	(102)	(102)	7	177	(96)	(97)	(18)	139	135
Restructuring	19	(12)	nm[7]	nm[7]	(3)	(11)	73	64	22	(114)	(119)
DVA	(14)	62	(123)	(123)	(48)	17	nm[7]	nm[7]	34	nm[7]	nm[7]
Statutory profit/(loss) before taxation	(6)	696	(101)	(101)	(44)	183	(124)	(125)	38	nm[7]	nm[7]
Total assets	278,561	291,264	(4)	(5)	278,561	291,264	(4)	(5)	270,332	3	3
Of which: loans and advances to customers[3]	58,114	66,987	(13)	(15)	58,114	66,987	(13)	(15)	63,570	(9)	(9)
Total liabilities	233,442	243,877	(4)	(5)	233,442	243,877	(4)	(5)	222,235	5	5
Of which: customer accounts[3]	145,382	140,826	3	3	145,382	140,826	3	3	143,462	1	1
Risk-weighted assets	48,787	50,038	(3)	nm[7]	48,787	50,038	(3)	nm[7]	51,929	(6)	nm[7]
Income return on risk-weighted assets (%)[4]	3.4	5.4	(200)bps	nm[7]	3.6	4.5	(90)bps	nm[7]	3.2	40bps	nm[7]
Underlying return on tangible equity (%)[4]	(0.3)	13.3	(1,360)bps	nm[7]	0.2	7.3	(709)bps	nm[7]	(1.0)	120bps	nm[7]
Cost-to-income ratio (%)[5]	101.9	55.4	(46.5)	(47.0)	99.1	67.9	(31.2)	(31.8)	104.8	5.7	5.1

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5 Change is the percentage points difference between the two periods rather than the percentage change
6 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) Aviation Finance and (ii) DVA. No change to statutory performance
7 Not meaningful

Performance highlights

- Underlying loss before tax of $11 million compared to profit of $646 million last year was due to lower income, higher expenses and higher impairment
- Underlying operating income of $850 million down 38 per cent, reflecting the increased cost of hedges within Treasury whilst strong growth in Transaction Banking income was partly offset by lower Financial Markets income
- Expenses were up 14 per cent and there was a $35 million increase in credit impairment as last year's net release was not replicated
- RoTE of negative 0.3 per cent down from 13.3 per cent in 1H'22

Central & other items (region)

	1H'23 $million	1H'22[5] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[5] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	305	(57)	nm[6]	nm[6]	189	(18)	nm[6]	nm[6]	116	63	61
Operating expenses	(315)	(267)	(18)	(37)	(220)	(89)	(147)	(176)	(95)	(132)	(133)
Operating profit/(loss) before impairment losses and taxation	(10)	(324)	97	96	(31)	(107)	71	66	21	nm[6]	nm[6]
Credit impairment	5	4	25	67	(5)	1	nm[6]	nm[6]	10	(150)	(150)
Other impairment	(69)	1	nm[6]	nm[6]	(69)	2	nm[6]	nm[6]	–	nm[6]	nm[6]
Profit from associates and joint ventures	(11)	(3)	nm[6]	(175)	(5)	(1)	nm[6]	nm[6]	(6)	17	17
Underlying profit/(loss) before taxation	(85)	(322)	74	70	(110)	(105)	(5)	(14)	25	nm[6]	nm[6]
Restructuring	24	(19)	nm[6]	nm[6]	9	(14)	164	169	15	(40)	(44)
DVA	–	–	nm[6]	nm[6]	–	–	nm[6]	nm[6]	–	nm[6]	nm[6]
Statutory profit/(loss) before taxation	(61)	(341)	82	80	(101)	(119)	15	7	40	nm[6]	nm[6]
Total assets	9,316	9,309	–	–	9,316	9,309	–	–	9,362	–	–
Total liabilities	69,268	68,252	1	1	69,268	68,252	1	1	67,334	3	3
Risk-weighted assets	3,852	1,086	nm[6]	nm[6]	3,852	1,086	nm[6]	nm[6]	3,907	(1)	nm[6]
Underlying return on risk-weighted assets (%)[3]	17.1	(5.3)	nm[6]	–	19.7	(3.4)	nm[6]	nm[6]	14.2	550bps	–
Income return on risk-weighted assets (%)[3]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]
Cost-to-income ratio (%) (excluding bank levy)[4]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[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 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)
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4 Change is the percentage points difference between the two periods rather than the percentage change
5 Underlying performance for relevant periods in 2022 has been restated for the removal of Aviation Finance. No change to statutory performance
6 Not meaningful

Performance highlights

- Underlying loss before tax of $85 million compared to a $322 million loss in the first half of 2022. Income increased to $305 million mainly due to higher returns paid to Treasury on the equity provided to the regions in a rising interest rate environment. This was partly offset by other impairment charges of $69 million

Underlying performance by key market

	1H'23									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	2,091	582	593	288	1,263	627	113	421	185	452
Operating expenses	(962)	(359)	(439)	(165)	(606)	(420)	(92)	(200)	(425)	(324)
Operating profit before impairment losses and taxation	1,129	223	154	123	657	207	21	221	(240)	128
Credit impairment	(110)	(23)	(35)	(31)	2	(3)	3	9	(7)	8
Other impairment	–	–	–	–	(1)	–	–	(1)	5	(3)
Profit from associates and joint ventures	–	–	105	–	–	–	–	–	–	–
Underlying profit before taxation	1,019	200	224	92	658	204	24	229	(242)	133
Total assets employed	182,512	62,885	41,808	21,536	99,103	35,830	5,064	19,105	171,028	91,860
Of which: loans and advances to customers[1]	85,004	37,764	14,554	10,838	64,268	14,980	2,388	7,519	34,338	19,284
Total liabilities employed	170,945	53,204	34,064	20,448	103,381	27,937	3,922	16,742	132,756	84,648
Of which: customer accounts[1]	142,766	41,075	24,127	18,656	77,591	20,788	2,896	12,856	85,767	49,749
Underlying return on tangible equity (%)	24.1	13.9	12.1	21.7	30.4	10.3	9.1	24.6	(8.2)	7.7
Cost to income ratio (%)	46.0	61.7	74.0	57.3	48.0	67.0	81.4	47.5	229.7	71.7

	1H'22[2]									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	1,594	598	596	235	870	664	110	292	721	530
Operating expenses	(904)	(370)	(415)	(173)	(528)	(374)	(91)	(176)	(363)	(296)
Operating profit before impairment losses and taxation	690	228	181	62	342	290	19	116	358	234
Credit impairment	(306)	(9)	(99)	(7)	25	(1)	1	57	16	8
Other impairment	(1)	–	(1)	–	–	(1)	–	–	13	–
Profit from associates and joint ventures	–	–	157	–	–	–	–	–	–	–
Underlying profit/(loss) before taxation	383	219	238	55	367	288	20	173	387	242
Total assets employed	170,036	65,985	38,548	22,780	95,651	30,613	5,493	20,929	213,255	61,700
Of which: loans and advances to customers[1]	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[1]	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 (%)	8.8	14.1	11.1	11.5	15.5	13.7	6.5	15.3	12.2	17.0
Cost to income ratio (%)	56.7	61.9	69.6	73.6	60.7	56.3	82.7	60.3	50.3	55.8

1 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
2 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

Quarterly underlying operating income by product

	2Q'23 $million	1Q'23[2] $million	4Q'22[1,2] $million	3Q'22[1,2] $million	2Q'22[1,2] $million	1Q'22[1,2] $million	4Q'21[1,2] $million	3Q'21[1,2] $million
Transaction Banking	1,461	1,399	1,254	1,067	824	729	718	722
Trade & Working capital	334	331	316	335	336	356	341	381
Cash Management	1,127	1,068	938	732	488	373	377	341
Financial Markets	1,391	1,414	1,147	1,386	1,255	1,557	900	1,170
Macro Trading	825	830	628	736	662	939	427	538
Credit Markets	462	460	436	455	396	474	462	670
Credit Trading	140	172	147	152	84	105	59	143
Financing Solutions & Issuance[2]	322	288	289	303	312	369	403	527
Financing & Securities Services[2]	104	124	83	195	197	144	11	(38)
Lending & Portfolio Management	132	134	112	164	136	146	183	212
Wealth Management	495	511	358	454	456	528	464	557
Retail Products	1,240	1,212	1,147	1,099	944	837	823	816
CCPL & other unsecured lending	286	290	294	298	310	300	311	311
Deposits	848	771	805	620	355	241	206	198
Mortgage & Auto	74	114	12	140	235	246	260	259
Other Retail Products	32	37	36	41	44	50	46	48
Treasury	(160)	(233)	(173)	(5)	201	314	150	147
Other	(4)	(41)	(80)	(27)	(33)	(35)	(54)	(30)
Total underlying operating income	4,555	4,396	3,765	4,138	3,783	4,076	3,184	3,594

1 Restatements relating to (a) exit of seven markets in AME (b) exit of Aviation Finance Business and (c) Reporting DVA outside of Underlying Income, have been made to reflect these items below the line
2 Shipping Finance is now reported under "Financing Solutions & Issuance" which was reported under "Financing & Securities Services" in Q1

Earnings per ordinary share

	1H'23 $million	1H'22[1] $million	change %	2Q'23 $million	2Q'22[1] $million	change %	1Q'23 $million	change %
Profit for the period attributable to equity holders	2,385	2,088	14	1,041	909	15	1,344	(23)
Non-controlling interest	3	1	200	6	4	50	(3)	nm[3]
Dividend payable on preference shares and AT1 classified as equity	(243)	(216)	(13)	(65)	(95)	32	(178)	63
Profit for the period attributable to ordinary shareholders	2,145	1,873	15	982	818	20	1,163	(16)
Items normalised:								
Restructuring	(56)	(1)	nm[3]	(8)	16	nm[3]	(48)	83
DVA	39	(120)	nm[3]	93	(35)	nm[3]	(54)	nm[3]
Tax on normalised items	–	14	nm[3]	(15)	2	nm[3]	15	nm[3]
Underlying profit for the period attributable to ordinary shareholders	2,128	1,766	20	1,052	801	31	1,076	(2)
Basic – Weighted average number of shares (millions)	2,839	3,014	nm[3]	2,818	3,014	nm[3]	2,860	nm[3]
Diluted – Weighted average number of shares (millions)	2,902	3,069	nm[3]	2,884	3,069	nm[3]	2,921	nm[3]
Basic earnings per ordinary share (cents)[2]	75.6	62.1	13.5	34.8	27.1	7.7	40.7	(5.8)
Diluted earnings per ordinary share (cents)[2]	73.9	61.0	12.9	34.0	26.7	7.3	39.8	(5.8)
Underlying basic earnings per ordinary share (cents)[2]	75.0	58.6	16.4	37.3	26.6	10.8	37.6	(0.3)
Underlying diluted earnings per ordinary share (cents)[2]	73.3	57.5	15.8	36.5	26.1	10.4	36.8	(0.3)

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance
2 Change is the percentage points difference between the two periods rather than the percentage change
3 Not meaningful

Return on Tangible Equity

	1H'23 $million	1H'22[1] $million	Change %	2Q'23 $million	2Q'22[1] $million	Change %	1Q'23 $million	Change %
Average parent company Shareholders' Equity	43,803	45,106	(3)	43,964	44,617	(1)	43,643	1
Less Preference share premium	(1,494)	(1,494)	–	(1,494)	(1,494)	–	(1,494)	–
Less Average intangible assets	(5,887)	(5,503)	(7)	(5,895)	(5,519)	(7)	(5,880)	–
Average Ordinary Shareholders' Tangible Equity	36,422	38,109	(4)	36,575	37,604	(3)	36,269	1
Profit for the period attributable to equity holders	2,385	2,088	14	1,041	909	15	1,344	(23)
Non-controlling interests	3	1	200	6	4	50	(3)	nm[2]
Dividend payable on preference shares and AT1 classified as equity	(243)	(216)	(13)	(65)	(95)	32	(178)	63
Profit for the period attributable to ordinary shareholders	2,145	1,873	15	982	818	20	1,163	(16)
Items normalised:								
Restructuring	(56)	(1)	nm[2]	(8)	16	nm[2]	(48)	83
Ventures FVOCI unrealised gains/(losses) net of tax	43	(8)	nm[2]	52	(14)	nm[2]	(9)	nm[2]
DVA	39	(120)	nm[2]	93	(35)	nm[2]	(54)	nm[2]
Tax on normalised items	–	14	nm[2]	(15)	2	nm[2]	15	nm[2]
Underlying profit for the period attributable to ordinary shareholders adjusted for Ventures FVOCI	2,171	1,758	23	1,104	787	40	1,067	3
Underlying Return on Tangible Equity	12.0%	9.3%	270bps	12.1%	8.4%	370bps	11.9%	20bps
Statutory Return on Tangible Equity	11.9%	9.9%	200bps	10.8%	8.7%	210bps	13.0%	(220)bps

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance
2 Not meaningful

Net Tangible Asset Value per Share

	30.06.23 $million	30.06.22 $million	Change %	31.12.22 $million	Change %	31.03.23 $million	Change %
Parent company shareholders equity	43,803	44,054	(1)	43,162	1	44,125	(1)
Less Preference share premium	(1,494)	(1,494)	–	(1,494)	–	(1,494)	–
Less Intangible assets	(5,898)	(5,537)	(7)	(5,869)	–	(5,891)	–
Net shareholders tangible equity	36,411	37,023	(2)	35,799	2	36,740	(1)
Ordinary shares in issue, excluding own shares (millions)	2,797	2,967	(6)	2,867	(2)	2,833	(1)
Net Tangible Asset Value per share (cents)[1]	1,302	1,248	54	1,249	53	1,297	5

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'23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	5,823	3,556	89	(517)	8,951
Restructuring	187	23	–	5	215
DVA	(39)	–	–	–	(39)
Statutory operating income	5,971	3,579	89	(512)	9,127

	1H'22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	4,569	2,845	5	440	7,859
Restructuring	213	26	–	7	246
DVA	120	–	–	–	120
Statutory operating income	4,902	2,871	5	447	8,225

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

Operating income by region

	1H'23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Underlying operating income	6,355	1,441	850	305	8,951
Restructuring	117	74	25	(1)	215
DVA	(22)	(3)	(14)	–	(39)
Statutory operating income	6,450	1,512	861	304	9,127

	1H'22[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Underlying operating income	5,339	1,202	1,375	(57)	7,859
Restructuring	150	75	7	14	246
DVA	43	15	62	–	120
Statutory operating income	5,532	1,292	1,444	(43)	8,225

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

Net interest income and Other income

	1H'23					H1'22				
	Underlying $million	Restructuring $million	Financial Markets funding costs $million	Financial guarantee fees on interest-earning assets $million	Statutory $million	Underlying $million	Restructuring $million	Financial Markets funding costs $million	Financial guarantee fees on interest-earning assets $million	Statutory $million
Net interest income[1]	4,777	(7)	(822)	36	3,984	3,694	3	(106)	47	3,638
Other income[1]	4,174	183	822	(36)	5,143	4,165	363	106	(47)	4,587
Total income	8,951	176	–	–	9,127	7,859	366	–	–	8,225

1 To be consistent with how we the compute Net Interest Margin, we have changed our definition of Underlying Net Interest Income (NII) and Underlying Other Income (OI). The adjustments made to NIM, including Interest expense relating to funding our trading book, will now be shown against Underlying Other Income rather than Underlying NII. There is no impact on total income

Profit before taxation (PBT)

	1H'23			
	Underlying $million	Restructuring $million	DVA $million	Statutory $million
Operating income	8,951	215	(39)	9,127
Operating expenses	(5,504)	(164)	–	(5,668)
Operating profit/(loss) before impairment losses and taxation	3,447	51	(39)	3,459
Credit impairment	(172)	11	–	(161)
Other impairment	(63)	(14)	–	(77)
Profit from associates and joint ventures	94	8	–	102
Profit/(loss) before taxation	3,306	56	(39)	3,323

	1H'22[1]			
	Underlying $million	Restructuring $million	DVA $million	Statutory $million
Operating income	7,859	246	120	8,225
Operating expenses	(5,096)	(232)	–	(5,328)
Operating profit before impairment losses and taxation	2,763	14	120	2,897
Credit impairment	(264)	1	–	(263)
Other impairment	(1)	(14)	–	(15)
Profit from associates and joint ventures	153	–	–	153
Profit before taxation	2,651	1	120	2,772

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

Profit before taxation (PBT) by client segment

	1H'23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	5,823	3,556	89	(517)	8,951
External	4,569	2,154	89	2,139	8,951
Inter-segment	1,254	1,402	–	(2,656)	–
Operating expenses	(2,818)	(2,075)	(211)	(400)	(5,504)
Operating profit/(loss) before impairment losses and taxation	3,005	1,481	(122)	(917)	3,447
Credit impairment	(69)	(108)	(23)	28	(172)
Other impairment	(21)	–	–	(42)	(63)
(Loss)/profit from associates and joint ventures	–	–	(13)	107	94
Underlying profit/(loss) before taxation	2,915	1,373	(158)	(824)	3,306
Restructuring	73	(16)	(1)	–	56
DVA	(39)	–	–	–	(39)
Statutory profit/(loss) before taxation	2,949	1,357	(159)	(824)	3,323

	1H'22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	4,569	2,845	5	440	7,859
External	4,273	2,586	5	995	7,859
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,565)	(2,050)	(146)	(335)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,004	795	(141)	105	2,763
Credit impairment	(194)	(80)	(3)	13	(264)
Other impairment	–	(1)	–	–	(1)
(Loss)/profit from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,810	714	(151)	278	2,651
Restructuring	30	(17)	(1)	(11)	1
DVA	120	–	–	–	120
Statutory profit/(loss) before taxation	1,960	697	(152)	267	2,772

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

Profit before taxation (PBT) by region

	1H'23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	6,355	1,441	850	305	8,951
Operating expenses	(3,527)	(796)	(866)	(315)	(5,504)
Operating profit/(loss) before impairment losses and taxation	2,828	645	(16)	(10)	3,447
Credit impairment	(182)	9	(4)	5	(172)
Other impairment	(2)	(1)	9	(69)	(63)
Profit/(loss) from associates and joint ventures	105	–	–	(11)	94
Underlying profit/(loss) before taxation	2,749	653	(11)	(85)	3,306
Restructuring	(22)	35	19	24	56
DVA	(22)	(3)	(14)	–	(39)
Statutory profit/(loss) before taxation	2,705	685	(6)	(61)	3,323

	1H'22[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	5,339	1,202	1,375	(57)	7,859
Operating expenses	(3,318)	(749)	(762)	(267)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,021	453	613	(324)	2,763
Credit impairment	(398)	99	31	4	(264)
Other impairment	(3)	(1)	2	1	(1)
Profit/(loss) from associates and joint ventures	156	–	–	(3)	153
Underlying profit/(loss) before taxation	1,776	551	646	(322)	2,651
Restructuring	13	19	(12)	(19)	1
DVA	43	15	62	–	120
Statutory profit/(loss) before taxation	1,832	585	696	(341)	2,772

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

Return on tangible equity (RoTE)

	1H'23 $million	1H'22[1] $million
Average parent company Shareholders' Equity	43,803	45,106
Less Preference share premium	(1,494)	(1,494)
Less Average intangible assets	(5,887)	(5,503)
Average Ordinary Shareholders' Tangible Equity	36,422	38,109
Profit for the period attributable to equity holders	2,385	2,088
Non-controlling interests	3	1
Dividend payable on preference shares and AT1 classified as equity	(243)	(216)
Profit for the period attributable to ordinary shareholders	2,145	1,873
Items normalised:		
Restructuring	(56)	(1)
Ventures FVOCI unrealised gains/(losses) net of tax	43	(8)
DVA	39	(120)
Tax on normalised items	–	14
Underlying profit for the period attributable to ordinary shareholders adjusted for Ventures FVOCI	2,171	1,758
Underlying Return on Tangible Equity	12.0%	9.3%
Statutory Return on Tangible Equity	11.9%	9.9%

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance profit .

	1H'23				
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	20.8	28.2	nm[2]	(25.6)	12.0
Restructuring					
Of which: Income	1.8	0.6	–	0.1	1.2
Of which: Expenses	(1.1)	(1.0)	nm[2]	(0.3)	(0.9)
Of which: Credit impairment	0.1	–	–	(0.1)	0.1
Of which: Other impairment	(0.1)	(0.1)	–	–	(0.1)
Of which: Profit from associates and joint ventures	–	–	–	0.2	–
Ventures FVOCI Unrealised gains / (losses) net of Taxes	–	–	nm[2]	–	(0.2)
DVA	(0.4)	–	–	–	(0.2)
Tax on normalised items	(0.1)	0.2	nm[2]	0.2	–
Statutory RoTE	21.0	27.9	nm[2]	(25.5)	11.9

	1H'22[1]				
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	11.7	14.0	nm[2]	(0.4)	9.3
Restructuring					
Of which: Income	1.8	0.6	–	0.1	1.4
Of which: Expenses	(1.5)	(1.1)	nm[2]	(0.3)	(1.2)
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 Taxes	–	–	nm[2]	–	–
DVA	1.0	–	nm[2]	–	0.6
Tax on normalised items	(0.3)	0.1	nm[2]	0.6	(0.1)
Statutory RoTE	12.7	13.6	nm[2]	(0.3)	9.9

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

Net charge-off ratio

	30.06.23			30.06.22		
	Credit impairment (charge)/ release for the year/period $million	Net average loans and advances $million	Net Charge-off Ratio %	Credit impairment (charge)/ release for the year/ period $million	Net average loans and advances $million	Net Charge-off Ratio %
Stage 1	34	325,639	0.01%	10	316,426	0.00%
Stage 2	(115)	11,803	(0.97)%	(1)	14,216	(0.01)%
Stage 3	(144)	3,205	(4.49)%	(287)	3,081	(9.32)%
Total exposure	(225)	340,647	(0.07)%	(278)	333,723	(0.08)%

Earnings per ordinary share (EPS)

	H1'23				
	Underlying $ million	Restructuring $ million	DVA $ million	Tax on normalised items $ million	Statutory $ million
Profit/(loss) for the year attributable to ordinary shareholders	2,128	56	(39)	–	2,145
Basic – Weighted average number of shares (millions)	2,839				2,839
Basic earnings per ordinary share (cents)	75.0				75.6

	H1'22				
	Underlying $ million	Restructuring $ million	DVA $ million	Tax on normalised items $ million	Statutory $ million
Profit/(loss) for the year attributable to ordinary shareholders	1,766	1	120	(14)	1,873
Basic – Weighted average number of shares (millions)	3,014				3,014
Basic earnings per ordinary share (cents)	58.6				62.1

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to statutory performance

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	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: • Operating income • Operating expenses • Profit before tax • RWAs or Risk-weighted assets
Underlying/Normalised	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; DVA; amounts consequent to investment transactions driven by strategic intent, excluding amounts consequent to Ventures transactions, as these are considered part of the Group's ordinary course of business; 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. Restructuring includes impacts to profit or loss from businesses that have been disclosed as no longer part of the Group's ongoing business, redundancy costs, costs of closure or relocation of business locations, impairments of assets and other costs which are not related to the Group's ongoing business. Restructuring in this context is not the same as a restructuring provision as defined in IAS 37. 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: • Operating income • Operating expense • Profit before tax • Earnings per share (basic and diluted) • Cost-to-income ratio • Jaws • RoTE or Return on tangible equity
Underlying net interest income	Statutory net interest income normalised to an underlying basis adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets.
Underlying other income	Statutory other income normalised to an underlying basis adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets.
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.
Income return on risk weighted assets (IRoRWA)	Annualised Income excluding Debit Valuation Adjustment as a percentage of Average RWA
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 charge-off ratio	The ratio of net credit impairment charge or release to average outstanding net loans and advances
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.

Measure	Definition
NIM or Net interest margin	Statutory net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets, 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

"Proactive risk management amidst a challenging macroeconomic environment"

The first half of 2023 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. The macroeconomic and geopolitical environment remains challenging with high and persistent inflation and increasing rates across a number of markets in which the Group operates. During the first quarter of the year, we saw several bank failures which resulted in increased levels of volatility within financial markets. Whilst we had limited exposure to these financial institutions, we actively took measures to manage our risks and review our exposure and limits across the financial institutions' portfolio. In the second quarter, we saw a possible default risk in the US as a result of the debt ceiling. Whilst the debt ceiling agreement was ultimately signed, this brought into light potential governance vulnerabilities, and we continue to monitor closely the sovereign's fiscal and policy governance risks. In anticipation of any downside risks to the US' credit worthiness, we have proactively managed risks in our Financial Markets and Treasury Markets holdings.

Sovereign risks are still prominent across our footprint as emerging markets face significant risks from rising inflation, depreciating foreign exchange rates and broader external financing risks. Within the Group's footprint, sovereign default risks remain in Pakistan, whilst in both Zambia and Sri Lanka debt restructuring continues to be slow. Ghana appears to be making the most rapid progress in emerging from its sovereign default, having already concluded a domestic debt exchange in February 2023. We continue to track any deterioration in risk indicators through use of the Country Risk Early Warning System (CREWS). CREWS is a triage system which categorises countries based on a combined assessment of the likelihood of a downgrade and the financial impact of a potential downgrade. Markets in the highest risk category are subject to enhanced monitoring of qualitative and quantitative risk triggers and we have implemented limit and exposure management strategies for the highest risk markets in the first half of 2023.

For our Corporate, Commercial and Institutional Banking (CCIB) business, we closely monitored our clients that may face difficulties on account of increasing interest rate, foreign exchange movements, commodity volatility or increase in price of essential goods. Stress tests and portfolio reviews are also done to identify vulnerable exposures. These exposures are then tracked through our well-established Early Alert monitoring process. We track geopolitical risks so that we can take action if these events materialise. We continue to monitor our Global Commercial Real Estate (CRE) portfolio by conducting deep dive reviews and stress tests. In China, recovery remains slower than expected and the sector continues to face tightened liquidity and weak consumer sentiment.

Nonetheless, our credit portfolios have remained resilient in this environment and we have maintained overall good asset quality evidenced by our investment grade corporate portfolio (30 June 2023: 74 per cent). Given the current macroeconomic challenges additional reviews across the US Banks, Non-Bank Financial Institutions, Leveraged Lending books and select geographies were conducted.

Whilst the Consumer, Private and Business Banking (CPBB) portfolio has demonstrated strong resilience over the past couple of years, we remain alert to the risks of the uncertain economic outlook. We continue to dynamically scan for horizon risks in the increasingly challenging operating environment, cognisant that such risks may arise from unexpected quarters. The recent increase of delinquency rates in some markets highlighted the lingering impact of the pandemic and the increasing stress on customer debt servicing capacity, due to rising interest rates in markets that had previously enjoyed long periods of low rates. We are actively managing the challenges to the CPBB portfolio arising from heightened country risk encountered in certain markets. In particular, we have been monitoring the potential secondary and tertiary impact of such local challenges; for example, the risks of reduction in consumer disposable income after government spending cuts and International Monetary Fund imposed austerity measures. For both our secured and unsecured consumer credit portfolios, we are monitoring the impact on customer affordability across our key markets and dynamically adjusting origination, portfolio management and collections strategies, as appropriate.

We manage our liquidity and capital risks to ensure a strong and resilient balance sheet that supports sustainable growth. We continue to enhance our Treasury Risk framework to incorporate the lessons from recent market events as well as horizon risks. Liquidity remains resilient across the Group and major legal entities. Group liquidity coverage ratio (LCR) is 164 per cent (31 December 2022: 147 per cent) with a surplus to both Risk Appetite and regulatory requirements. Common Equity Tier 1 (CET1) ratio is 14.0 per cent (31 December 2022: 14.0 per cent). In March 2023, we saw sharp moves in funding markets and customer behaviour that triggered several bank failures in the US and Switzerland, resulting in a heightened focus on Treasury Risk. The problems were most acute in the US market and reverberated globally. We maintained a resilient liquidity position throughout the period and remained focused on managing risks. We have also taken the lessons from the crisis. Whilst we have a diversified deposit base, we continue to monitor risk from depositor concentration. We are also conducting a detailed review of Operational accounts classification and an enhanced framework will be rolled out in H2 2023.

The Risk function remains actively engaged in the continuous improvement of the Group's resolvability capabilities. Execution of the 2023 testing and assurance work is ongoing and covers all key areas at a resolvability barrier level as well as holistically through testing exercises ahead of submitting the 2023 Group Resolvability Assessment Report in October 2023. The Assurance Framework has been strengthened through the introduction of standards setting out minimum requirements and clarifying roles and responsibilities across the three lines of defence. The review is multi-layered, bringing in subject matter expertise to challenge methodologies, testing outcomes and key controls.

Managing the risks from climate change is a core element of our strategy and Stands. We have made good progress on our key focus areas for 2023, including establishing and clarifying the linkages between net-zero portfolio management across high transition risk sectors and the impact thereof on Credit Risk assessment criteria. We have continued to build and embed our in-house Climate Risk models, training and education, and work with our data providers and clients to enhance our Climate Risk identification and measurement capabilities. By using the results from our scenario analysis, we are building a good understanding of the markets and industries where the effects of climate change will have the greatest impact. Climate Risk assessments continue to be considered as part of Reputational and Sustainability transaction reviews for impacted clients in high-carbon sectors, and integrated into the credit application process for approximately 80 per cent of our corporate client limits. We have extended the physical risk identification of our CPBB mortgage portfolios to smaller markets and CPBB products and a pilot approach to measure transition risk in our CPBB Mortgage portfolio is underway. As part of our ongoing academic partnership with Imperial College London, we supported new climate research on the cross-sectoral implications of electrification of transport in India.

We continue to advance Environment, Social and Governance (ESG) risk management across the organisation and have further embedded consideration of Environmental and Social risks into the Risk and Control Self-Assessments for both our CCIB and CPBB client segments and functions. In keeping with our sustainable and transition finance goals, we have made good progress on enhancing our policies, processes, and controls to manage the risks associated with greenwashing across products, transactions, disclosures and our marketing materials.

+ Further details on our overall approach to Net Zero can be found at sc.com/netzero

+ More details can be found at sc.com/sustainability

We also continue to strengthen our Digital Asset Risk management capabilities. At present, the Group has limited, and immaterial, direct exposure to digital asset related activity. Nonetheless, we recognise the importance of emerging regulation for digital assets and the assessment of risks when considering new business activities. Any potential increase in activity or exposures will be subject to detailed review and enhanced due diligence in accordance with the Group's Digital Asset Risk Management Approach.

For non-financial risks, the management of Information and Cyber Security (ICS) and Financial Crime remain key priorities for the Group. We continue to enhance our ICS oversight and governance framework, which includes defining clear accountability for risk management actions allowing us to continuously improve of our risk culture. Our ICS policies and standards are aligned to industry best practice models of ICS Risk Management (including the National Institute of Standards and Technology, ISO 27001 (Information Security Management Standard), and Payment Card Industry Data Security Standards) and we remain watchful for proposed new guidance. Our ICS training programme includes annual mandatory learning and phishing readiness exercises, along with ongoing thematic campaigns which highlight the most prevalent threats and risks that colleagues face. In addition to general ICS awareness, colleagues in roles identified as critical have additional training linked to their responsibilities.

We perform cyber crisis simulation exercises to improve our cyber resilience and to ensure that the Board and senior management are aware of their responsibilities when responding to cyber incidents. To assess the security of our systems and processes, our ICS capabilities include a formal process for internal controls testing, vulnerability assessments and penetration testing which involves an authorised simulated attack on a computer system, performed to evaluate the security of the system.

The Group is managing its Financial Crime Risk within acceptable levels as assessed under the Group's risk assessment process, including the Financial Crime Risk Type Framework, Risk and Control Self-Assessments and assurance reviews. While the Group has limited direct exposure to Russia-related sanctions, we continue to monitor and respond to changing sanctions requirements. The Group continues to build and maintain partnerships with industry, government and the third sector to increase the effectiveness of efforts to combat financial crime and address the damages it causes.

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

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

Our risk profile and performance in 2023

The majority of the proportion of the Group's gross loans and advances to customers remain in stage 1 at $277.7 billion or 94 per cent (31 December 2022: $295.2 billion or 93 per cent) reflecting our continued focus on high-quality origination. Overall stage 2 gross loans and advances to customers decreased by $2.9 billion to $10.1 billion (31 December 2022: $13 billion) driven by CCIB due to reduction in exposures in the Commercial real estate, Mining and quarrying and Food and household products sectors. Stage 3 loans decreased by $0.2 billion to $7.7 billion (31 December 2022: $7.9 billion) primarily in the CCIB segment. The decrease was a result of repayments and debt sales in H1 2023. The stage 3 cover ratio of 59 per cent (31 December 2022: 57 per cent) was higher by 2 percentage points, whilst the cover ratio after collateral at 78 per cent increased by 2 percentage points (31 December 2022: 76 per cent).

In 2023, we have seen a 12 per cent decrease in Early Alerts exposure (30 June 2023: $4.4 billion, 31 December 2022: $5.0 billion), driven by outflows to credit grade 12 and non-performing loans, regularisation of accounts and exposure reductions, partly offset by new inflows. Credit grade 12 balances decreased to $1.3 billion (31 December 2022: $1.6 billion) reflecting both improvements into stronger credit grades and outflows to non-performing loans. The Group remains vigilant in view of persistent challenging conditions in some markets and sectors .

The overall CPBB portfolio remains 86 per cent fully secured (31 December 2022: 86 per cent), with average residential mortgage loan-to-value (LTV) at 45.1 per cent (31 December 2022: 44.7 per cent).

The percentage of investment-grade corporate exposure has slightly decreased to 74 per cent (31 December 2022: 76 per cent), mainly driven by the reduction of repo exposures across various central clearing counterparties. Exposure to our top 20 corporate clients as a percentage of Tier 1 capital has decreased to 62 per cent (31 December 2022: 65 per cent), mainly driven by reduction in Transaction Banking exposures.

Key indicators

	30.06.23	2022
Group total business[1]	295.5	316.1
Stage 1 loans ($ billion)	277.7	295.2
Stage 2 loans ($ billion)	10.1	13.0
Stage 3 loans, credit-impaired ($ billion)	7.7	7.9
Stage 3 cover ratio	59%	57%
Stage 3 cover ratio (including collateral)	78%	76%
Commercial, Corporate & Institutional Banking		
Investment grade corporate net exposures as a percentage of total corporate net exposures	74%	76%
Early Alert portfolio net exposures ($ billion)	4.4	5.0
Credit grade 12 balances ($ billion)	1.3	1.6
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital[2]	62%	65%
Collateralisation of sub-investment grade net exposures maturing in more than one year	55%	53%
Consumer, Private & Business Banking		
Loan-to-value ratio of Consumer, Private & Business Banking mortgages	45.1%	44.7%

1 These numbers represent total gross loans and advances to customers
2 Excludes reverse repurchase agreements

The Group's ongoing credit impairment was a net charge of $172 million (30 June 2022: $267 million), a decrease of $95 million. Stage 1 and 2 were a charge of $33 million (30 June 2022: $10 million release) and stage 3 was a charge of $139 million (30 June 2022: $277 million).

For CCIB, stage 1 and 2 impairment charges of $33 million (30 June 2022: release of $44 million) were driven by Pakistan sovereign clients, model methodology updates, and net $6 million charge due to the China commercial real estate portfolio. Stage 3 impairment for CCIB was $36 million (30 June 2022: $240 million) driven by China commercial real estate clients and client downgrades in Nigeria due to past dues exceeding 90 days for our clients owing to non-availability of USD. This was partly offset by large notable releases in H1 2023.

For CPBB, stage 1 and 2 impairment charges of $15 million (30 June 2022: $43 million) were lower due to the $34 million release from non-linearity post model adjustment from 2022, $21 million release in H1 2023 overlays mainly from Bahrain (full release of COVID-19 overlay), and release driven by macroeconomic variable updates to Ant Financial portfolio. Stage 3 for CPBB was $93 million (30 June 2022: $36 million), driven by charge offs in China, Hong Kong and India, partly offset by $5 million of overlay releases mainly from the Bahrain COVID-19 overlay.

Ventures was a charge of $23 million (30 June 2022: $3 million) due to book growth in Mox Bank and Trust Bank Singapore .

Central and other items stage 1 and 2 impairment release of $27 million (30 June 2022: release of $12 million) was primarily driven by Pakistan sovereign exposure reductions .

Credit impairment

	30.06.23			30.06.22[1]		
	Stage 1 & 2 $million	Stage 3 $million	Total $million	Stage 1 & 2 $million	Stage 3 $million	Total $million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking	33	36	69	(44)	240	196
Consumer, Private & Business Banking	15	93	108	43	36	79
Ventures	12	11	23	3	-	3
Central & other items	(27)	(1)	(28)	(12)	1	(11)
Credit impairment charge/(release)	33	139	172	(10)	277	267
Restructuring business portfolio						
Others	(2)	(9)	(11)	(4)	-	(4)
Credit impairment charge/(release)	(2)	(9)	(11)	(4)	-	(4)
Total credit impairment charge/(release)	31	130	161	(14)	277	263

1 Underlying credit impairment has been restated for the removal of (i) exit markets and businesses in AME and (ii) Aviation Finance. No change in statutory credit impairment

The average level of total trading and non-trading Value at Risk (VaR) in 2023 was $53.1 million, 2.5 per cent lower than H2 2022 ($54.5 million) and 5.2 per cent higher than H1 2022 ($50.5 million). The actual level of total trading and non-trading VaR in H1 2023 was $50.2 million, 10 per cent lower than H2 2022 ($55.8 million) and 15 per cent lower than H1 2022 ($59.2 million), due to a reduction in non-trading fair value credit spread positions, offsetting the impact of increased volatility following the bank failures in Q1 2023.

Further details of the risk performance for the first six months of 2023 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 levels[1]. 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. 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 Risk Appetite Statement. In addition to Principal Risks, the Group has defined a Risk Appetite Statement for Climate Risk. The Principal and Integrated risks have not changed in the first half of the year and further details can be found in 2022 Annual Report.

Principal Risk Types	Risk Appetite Statement
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 financial markets and activities to ensure that Traded Risk losses do not cause material damage to the Group's franchise.
Treasury Risk	The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items do not cause material damage to the Group's franchise. In addition, the Group should ensure its Pension plans are adequately funded.
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 (ICS)	The Group has zero appetite for very High ICS residual risks and low appetite for High ICS residual risks which result in loss of services, data or funds. The Group will implement an effective ICS control environment and proactively identify and respond to emerging ICS threats in order to limit ICS incidents impacting the Group's franchise.
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 whilst 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, whilst 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.
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.

1 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.

Topical and Emerging Risks

Topical Risks refer to themes that may have emerged but are still evolving rapidly and unpredictably, whilst Emerging Risks refer to unpredictable and uncontrollable outcomes from certain events which may have the potential to adversely impact our business.

As part of our continuous risk identification process, we have updated the Group's Topical and Emerging Risks (TERs) from those disclosed in the 2022 Annual Report. We summarise these below, and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as performed by senior management.

The TER 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 the Group's awareness and attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate them based on their impact on the Group.

The key changes to the TERs since the 2022 Annual Report are as follows.

- We have added a new TER "Changing regulatory environment". This reflects the changing landscape as well as the pace of that change.
- "Expanding array of global tensions" has been expanded to "New geopolitical order and expanding array of global tensions" to reflect a growing polarisation in world affairs.

Macroeconomic and geopolitical considerations

There is interconnectedness between risks due to the importance of US dollar financing conditions for global markets, high inflation and the global or concentrated nature of key supply chains for energy, food, semi-conductors and rare metals. The Group is exposed to these risks directly through investments, or indirectly through its clients. Whilst the main risk impacts are financial, other ramifications may exist; for example, reputational, compliance or operational considerations.

New geopolitical order and expanding array of global tensions

The Russia-Ukraine war has catalysed a fundamental shift in power dynamics with a demarcation of underlying political allegiances, driven by sanctions and shifting trading ties.

Relations between China and other developed markets, particularly in the West, remain fragile, with sanctions being imposed by both sides. Increasing technological restrictions and potential escalations in relation to Taiwan's sovereignty are among several possible flashpoints. Economic and geopolitical actions could also escalate distrust and a decoupling of trade links, leading to an increase of inefficient production, and potentially generating further inflationary pressures.

Furthermore, China's growing presence on the international stage, recently exemplified by its closer ties with the Middle East and its deepening relationship with Russia, point to the risk of the world splitting into differing political and economic blocks, that can add further structural, operational and strategic strains on business models for companies that straddle both blocks.

High inflation and USD strength

Inflation is now a global concern and a top policy issue in many countries which are experiencing the highest inflation in decades.

The Federal Reserve's (Fed) sustained fight against US inflation has led to US dollar appreciation against many other global currencies. This increases global import costs and debt servicing costs on US dollar denominated debt. There have been widespread price corrections for some asset classes. Some markets, especially emerging markets, have limited options to defend their currencies without other detrimental effects.

This operating environment is likely to be testing for both the banking and the Non-banking financial institutions (NBFI) sectors. The bank failures in Q1 2023 point to the challenges in managing liquidity, credit, refinancing and market risks. The NBFI sector, of which private equity and specialised lenders form notable sub-segments, is exposed to the same issues, highlighted by the liability-driven investments turmoil at the end of 2022.

Price inflation for essential goods, such as food and fuel has prompted a cost-of-living crisis across many markets in which the Group operates. Government support measures to offset some of these price increases have only increased state debt levels, which are already high from COVID-19 era financial assistance. Reducing such high debt levels will be hard politically, particularly if such measures lead to social unrest.

Changing regulatory environment

Given the recent bank failures, regulators are starting to reassess the regulatory environment. They are focused on areas such as Asset/Liability Management, stress testing, and governance, and coverage over a wider range of financial institutions, including the NBFI sector.

Additionally, we note the differing pace of regulatory adoption between jurisdictions, along with increasing extraterritorial reach and prescriptiveness, that can make it harder for multinational groups to manage their business.

Global economic downturn risk

Tightening of monetary policy to combat inflation has continued so far in 2023. Whilst there are indications that interest rates might be peaking, the danger of stagflation in several large-developed countries remains high. The high level of interest rates is also filtering into the credit markets .

China's reopening at the beginning of 2023, albeit at lower forecasted Gross Domestic Product (GDP) level than for many years, could cushion the extent of the downturn in global economic growth.

The Group's strong presence in Asia exposes it to many of the above influences that could negatively impact the countries that it operates in.

Emerging markets sovereign risk

Emerging markets have been squeezed by escalating oil and food prices, high interest rates and the legacy of the COVID-19 pandemic on key industries such as tourism.

Problems have already been observed across several of the Group's footprint markets, including the recent default in Ghana, political instability in Pakistan, high inflation in Turkey, and issues across Africa, particularly economies that are sensitive to fuel and other commodity prices.

For some countries, there is a heightened risk of failure to manage social demands, which might culminate in increased political vulnerability. Furthermore, food security (exacerbated by the influences of armed conflict and climate change) and energy security challenges (rolling power cuts in South Africa) have the potential to drive other social impacts.

Debt moratorium and refinancing initiatives are complicated by a large number of financiers, much of which is on a bilateral basis outside of the Paris Club. Their interests do not always match other creditors, leading to delay through protracted negotiations amongst creditors, causing debt resolution bottlenecks for several developing countries.

Extended supply chain issues and key material shortages

Demand and supply imbalances in global supply chains are increasingly becoming structural in nature and affect a wide range of commodities including food, energy, minerals and raw materials. The main dislocations are linked to conflict and political restrictions through sanctions and trade embargoes. Repercussions include rising prices and affect companies that are a party in the supply chain, to end consumers and sovereigns.

Concentrated impacts to specific key industries such as semi-conductors can have contagion effects. Political wrangling over technological supremacy further increases the risk of market disruption and a retreat from globalisation. Potential additional targeted restrictions on certain industry sectors which could lead to shifts in global supply .

This could lead to a shift in supply chains for the future because of greater use of on, near or friend-shoring, further fragmenting the global supply chain. This can be regarded as a negative for countries that lose business but a positive for those who benefit from it.

There is also a growing political awareness around the need for key component and resource security. As a result of the Russia-Ukraine war and wider geopolitical tensions, many governments are becoming increasingly concerned about the concentration of key items in a small number of countries, for example Taiwan and the semiconductor industry. There will therefore likely be a rapid move to diversify supply and steps to acquire the level of resources required for a country's development in certain fields; for example, rare earth metals for electric vehicle production.

Energy security and shifting political alliances

The Russia-Ukraine war highlights the downside of the energy supply model in several developed markets and has spurred a rapid pivot away from traditional supply lines. This has strengthened the negotiating power of large energy exporters and provided them with leverage in CO_2 emission reductions negotiations at a country level.

In the wake of the conflict, a trade-off between pragmatism and environmentalism has evolved, with many countries rolling back or delaying stated ESG policies and targets. Policymakers must balance supply and price pressures with climate goals, with a heightened risk of short-term crises diverting attention and resources away from longer term climate action.

Some countries have invested significant amounts of money in developing green industries, the largest of which is the US's Inflation Reduction Act. However, the substantial subsidies available also run the risk of distorting world trade flows and antagonising trading partners, further heightening geopolitical tensions.

How these risks are mitigated/next steps

- We conduct thematic 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.
- Vulnerable sectors are regularly reviewed and exposures to these sectors are managed as part of Credit Risk reviews.
- Sovereign ratings, exposures, outlooks, and country risk limits are regularly monitored, and mitigating actions taken as required.
- Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and managed.
- We utilise Credit Risk mitigation techniques including credit insurance and collateral.
- We track the participation of our footprint countries in the G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure.
- We remain vigilant in monitoring geopolitical relationships. Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions.
- Our NBFI exposure is closely monitored in terms of both limits, products and counterparties.

Environmental and social considerations

ESG stakeholder expectations

Climate-related targets are becoming embedded in global business models, and businesses are encouraged to set ambitious sustainability goals.

There is also an increase in stakeholder expectations around fair and balanced disclosures, including marketing campaigns. Scrutiny around greenwashing has accelerated with various regulatory developments, such as the Financial Conduct Authority's consultation on anti-greenwashing rules.

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, increased implementation costs for multiple taxonomy frameworks, political and litigation risks.

Human rights concerns are increasing in focus with scope expanding beyond direct abuses to cover other areas such as data management, technological advancement, and supply chains.

There are risks if the Group is required to adapt to new fragmented regulations quickly, as well as meeting publicly stated sustainability goals and helping client transition.

How these risks are mitigated/next steps

- Increased scrutiny is applied to environmental and social standards when providing services to clients.
- We monitor regulatory developments in relation to sustainable finance and ESG risk management and provide feedback on consultations bilaterally and through industry groups.

- We focus on embedding our values through our Position Statements for sensitive sectors and a list of prohibited activities that the Group will not finance.
- We are integrating the management of greenwashing risks into our Reputational and Sustainability Risk Framework, policies and standards. Green, Sustainable and Transition Finance labels for products, and transactions reflect the standards set out in our Green and Sustainable Product Framework, Green Bond Framework and Transition Finance Framework. We regularly review these frameworks and annually obtain external verification on the Sustainable Finance asset pool.
- The Group is committed to respecting universal human rights, and we assess our clients and suppliers against various international principles, as well as through our social safeguards and supplier charter. More details can be found in our Modern Slavery Statement and Human Rights Position Statement.
- Detailed portfolio reviews and stress tests are conducted to test resilience to climate-related risks, in line with applicable regulatory requirements.
- Work is under way to embed Climate Risk considerations across all relevant Principal Risk Types. This includes stress testing/scenario analysis, integration of client Climate Risk assessments within the Credit process, building an internal modelling capability and linkages with our net zero targets to understand the financial risks and opportunities from climate change.

Technological considerations

Data and digital

Stakeholder expectations relating to the management and quality of data, including data retention, records management, data protection and privacy, data sovereignty, the use of Artificial Intelligence (AI) and the ethical use of data continue to increase. Regulation of data is increasing and continues to be fluid and fragmented.

Geopolitical tensions have added impetus to data sovereignty legislation (including data localisation requirements and cross-border access restrictions), which by their nature have an extraterritorial effect.

Increased risk of data breaches is driven by highly organised and sophisticated threat actors, with developments such as Ransomware as a service making it easier to attack organisations.

Data is becoming more concentrated in the hands of governments and big private companies, with relatively few providers of new technologies such as cloud services.

The sophistication and adoption of AI solutions is exponentially increasing. The regulatory framework is developing at a slower pace, necessitating strong self-governance.

A balance between resilience and agility is required, as new technologies are onboarded while existing systems are maintained. Clear ownership, frameworks and oversight of new technologies is also required.

How these risks are mitigated/next steps

- We monitor regulatory developments impacting data management, including country specific requirements. We participate in regulatory consultations and partner with our regulators to support key initiatives.
- We manage data risks through our Compliance Risk Type Framework and information security risks through our Information and Cyber Security (ICS) Risk Type Framework, while recognising the interconnectedness of the risks.
- We have a dedicated Data compliance policy and five related global standards, which we review against regulatory reform and industry best practice.
- We have developed a Group Data Strategy and made organisational changes to facilitate execution of this Strategy and strengthen ownership of related data risks.
- Our Chief Data Officer's team provides central support for compliance with data management regulations. This includes operating a dedicated AI governance forum and a Group Data Council to oversee execution of the Group's Data strategy.
- We have ongoing programmes of work to enhance our data risk management capabilities and controls, drive compliance with BCBS 239 requirements on effective risk data aggregation and risk reporting and deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats.

- The Group has implemented an in-depth ICS defence control environment strategy to protect, detect and respond to known and emerging ICS threats to allow proactive identification and response to emerging ICS threats to manage cyber security risk.
- We oversee management of data risk exposure, including delivery of the ongoing control enhancement programmes, through our executive risk governance committees.

New business structures, channels and competition

Failure to harness new technologies and new business models would place banks at a competitive disadvantage. However, these innovations require specialist skills, present new vectors for threats to materialise and require robust risk assessment and management. Concerns of contagion risk into mainstream financial services, particularly from digital assets-related activity, has increased regulatory scrutiny, which is expected to lead to enhanced regulation. Furthermore, differing access to new developments causes divergence and inequality to grow across countries and social groups.

The continued exploration of partnerships, alliances and generative technologies exposes the Group to increased opportunities and efficiencies, but also elevates the need to maintain operational resilience to appropriately support clients and the business.

Accelerating AI adoption and forays into other more nascent technologies is prompting banks to robustly assess the adequacy of in-house subject matter expertise and risk governance to meet growing regulatory attention.

How these risks are mitigated/next steps

- We monitor emerging trends, opportunities and risk developments in technology that may have implications for the banking sector.
- We evaluate risks against opportunities for new initiatives, accordingly de-risking and/or halting initiatives to remain within Risk Appetite. As the Group develops its use of AI, our Responsible AI Council ensures that we align our risk governance to emerging regulatory guidance and requirements.
- We engage with major regulators to ensure that we understand the evolving regulatory landscape in relation to the use of AI.
- We are investing in new technology, exploring alternate business models and launching new technology focused businesses, to develop our knowledge and capabilities to better prepare and protect ourselves against the misuse and possible disruption such technological development and nascent third parties may have.
- Novel risks arising from partnerships, alliances and generative technologies are identified through the New Initiatives Risk Assessment on Third-Party Risk Management Policy and Standards.

People considerations

Talent pool of the future

The expectations of the workforce, especially skilled workers, are significantly shifting. The COVID-19 pandemic accelerated changes on how people work, connect and collaborate, with expectations on flexible working now a given. The focus is increasingly on 'what' work people do and 'how' they get to deliver it, which are becoming differentiators in the war for future skills. There is greater desire to seek meaning and personal fulfilment at work that is aligned to individual purpose.

These trends are even more distinct among 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.

With attrition continuing to trend higher than before the COVID-19 pandemic, to sustainably attract, grow and retain talent, we must continue to invest in and further strengthen our Employee Value Proposition (EVP), through both firm-wide interventions as well as targeted action.

How these risks are mitigated/next steps

- Our culture and EVP work is designed to address the emerging expectations of the diverse talent we seek. The quarterly Brand and Culture Dashboard monitors our Diversity and Inclusion Index and colleagues' perceptions of our EVP and whether we are living our Valued Behaviours. Local Management teams discuss the dashboard to identify actions, supported by a central library of interventions from across the Group.

- Our Future Workplace Now programme, which formalises hybrid working where suitable, is currently live in 38 markets, and 76 per cent of colleagues in these markets are now on flexi-working arrangements. We continue to monitor for potential people risks, and mitigating actions include hybrid learning festivals, watercooler moments toolkits, a social connections platform and people leader guidance.
- We are undertaking a multi-year journey of developing future-skills by creating a culture of continuous learning, to balance between 'building' and 'inducting' skills. We are deploying technology that democratises access to learning content and developmental experiences.
- We are undertaking a multi-year journey of developing future-skills amongst colleagues by creating a culture of continuous learning, to balance appropriately between 'building' and 'inducting' skills into the Group.
- 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 being operationalised and play a role in guiding our Strategy.

By Order of the Board
Adrian de Souza
Group Company Secretary

Hong Kong, 28 July 2023

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; Gay Huey Evans, CBE; Jacqueline Hunt; Robin Ann Lawther, CBE; Maria da Conceicao das Neves Calha Ramos (Senior Independent Director); Philip George Rivett; David Tang; Carlson Tong and Linda Yi-chuang Yueh, CBE