



Full Year 2017 Results Presentation

27 February 2018

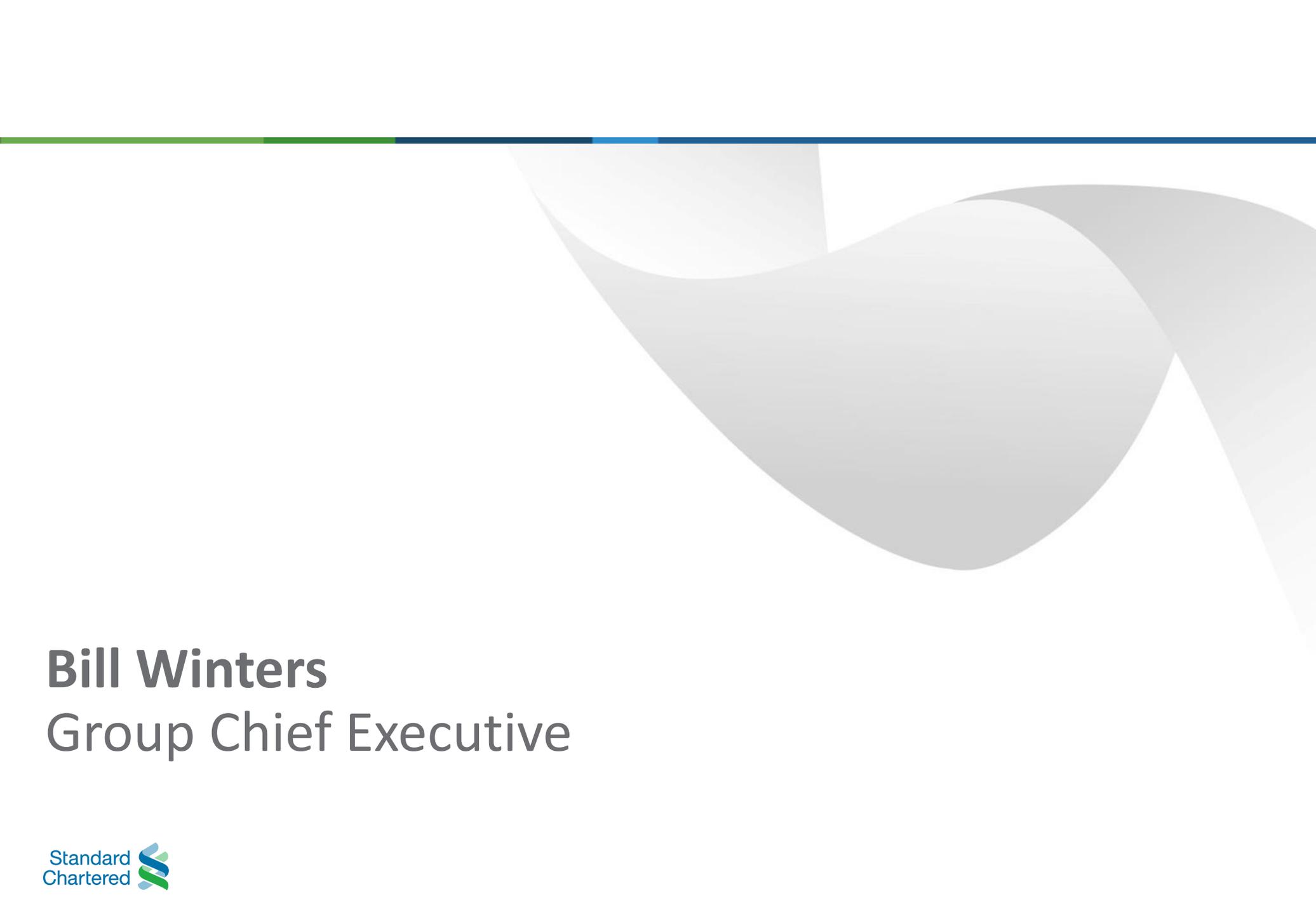
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This document contains or incorporates by reference “forward-looking statements” regarding the belief or current expectations of Standard Chartered PLC (the “Company”), the board of the Company (the “Directors”) and other members of its senior management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

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Bill Winters

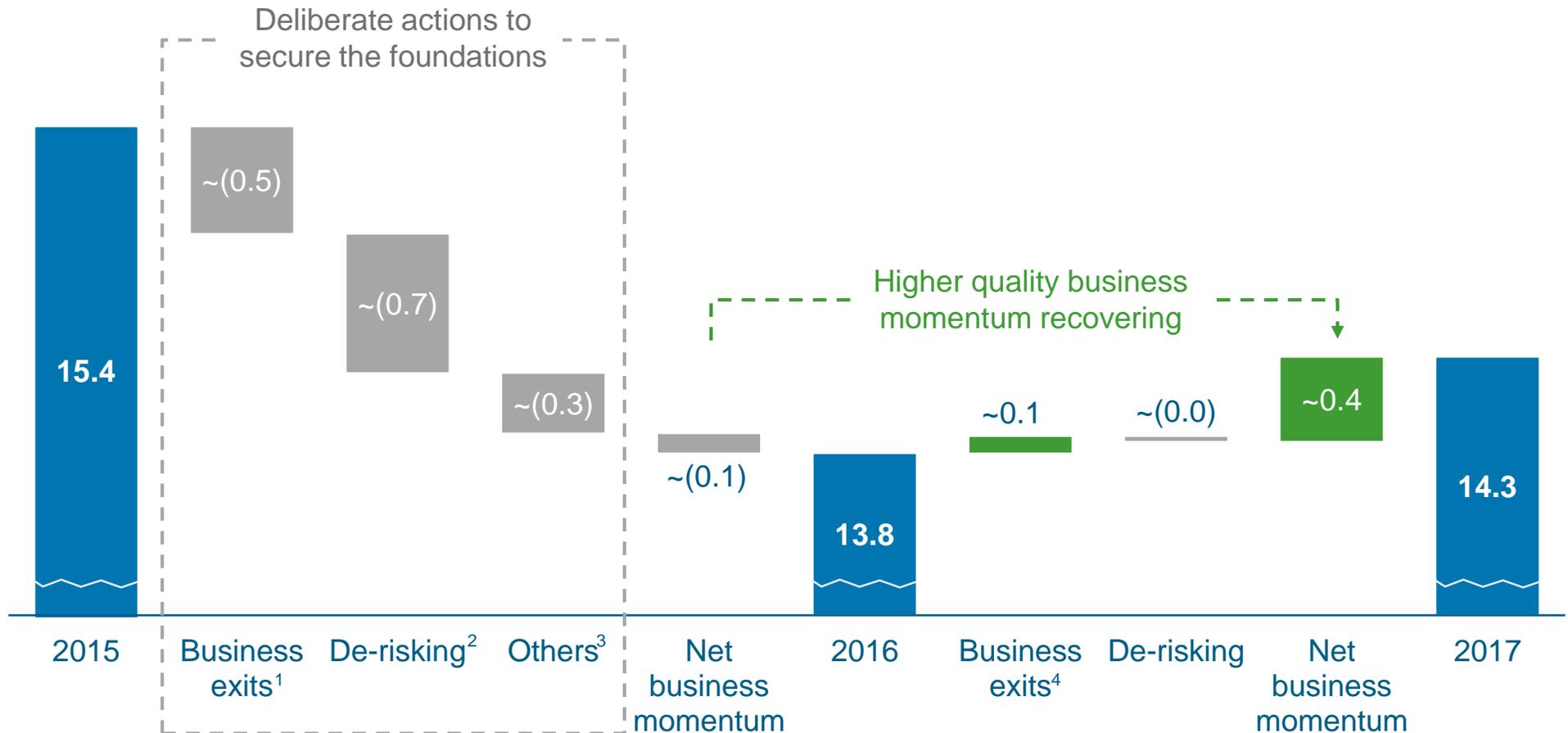
Group Chief Executive

A year of progress on a path that is now clear

- Transformation of the Group continued in 2017
 - We have significantly improved our client focus and financial performance
 - 13% YoY income growth in key investment areas
 - We now have a platform of much greater strength
- We remain focused on realising the Group's full potential, targeting:
 - Income growth of 5-7% CAGR in the medium term, and expenses growth below inflation
 - 12-13% CET1 target range
 - Return on Equity above 8% in the medium term
- Dividend resumed, given improved profits and emerging clarity on regulatory capital
- We are encouraged by the start to 2018, with broad-based double-digit YoY income growth

We have rebased income on more secure foundations

Income (\$bn)



1. Includes Equities, Principal Finance, Consumer Finance and Retail Banking in Thailand and the Philippines
2. De-risking includes the impact of restructuring and other actions taken to optimise return on RWA
3. Others include the exit of our SME business in the UAE and a property disposal gain in Korea recorded in 2015
4. Business exits include the net impact of Principal Finance and the exit of Retail Banking in Thailand and the Philippines

We are building a higher quality portfolio

Income (\$bn)

Targeted investments

Core strengths delivering sustainable growth

- Transaction Banking
- Wealth Management
- Mortgages & Auto
- Deposits

Return optimisation

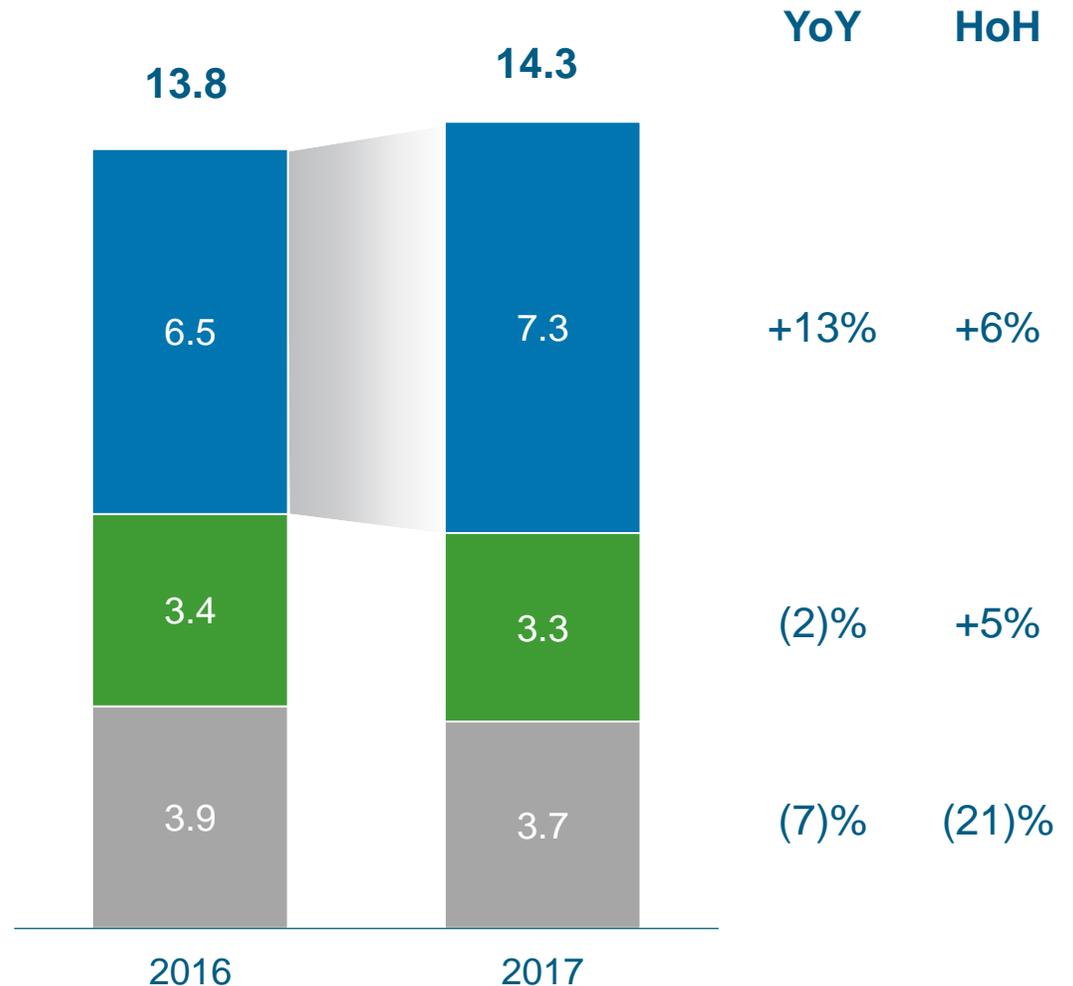
Actions that improve returns but impacted income

- Lending
- Corporate Finance
- CCPL
- *Principal Finance*¹

Primarily markets-related

Focused on delivering less volatile growth

- Financial Markets
- Treasury
- Others



We are committed to delivering a sustainably higher RoE...

Strategic initiatives

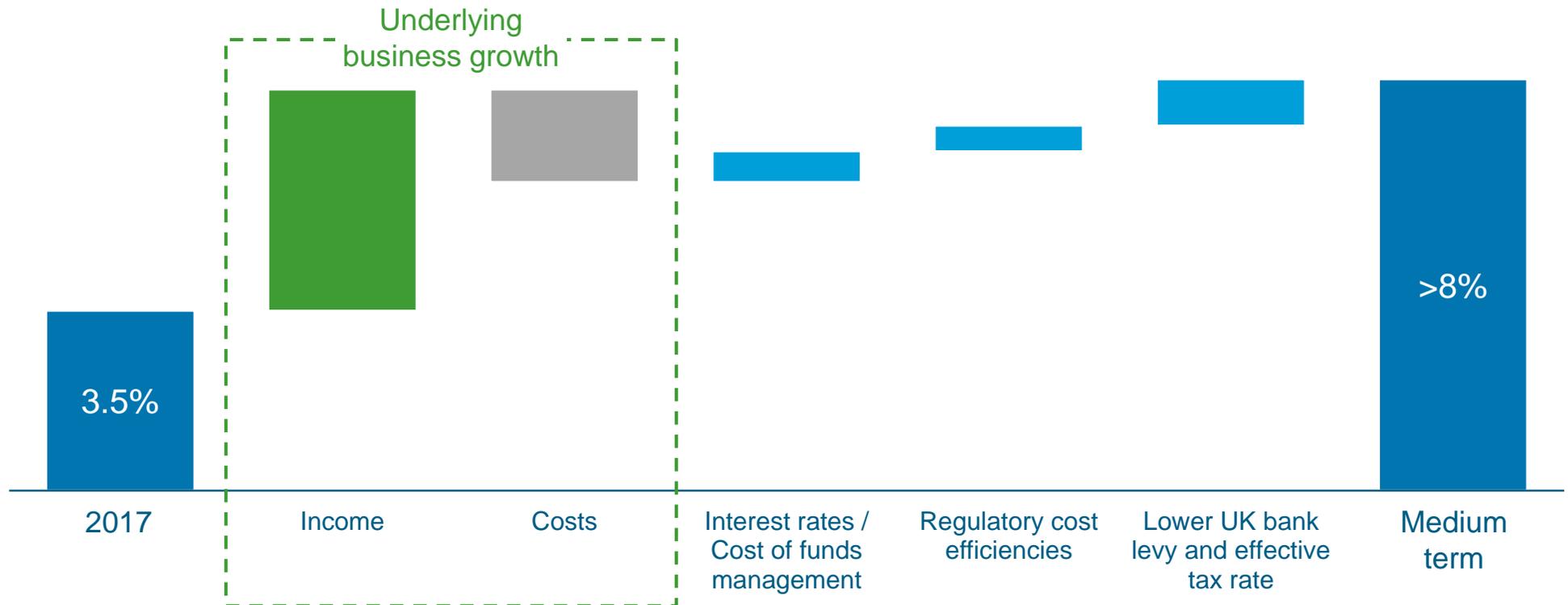


Medium-term targets

- Reiterating >8% Return on Equity
- Positive operating leverage
 - Income CAGR of 5-7%
 - Expenses growth below inflation
- CET1 ratio of 12-13%
- Increase dividend per share as the Group's performance improves

...with good visibility on what will drive improvement

Building blocks of higher underlying RoE





Andy Halford

Group Chief Financial Officer

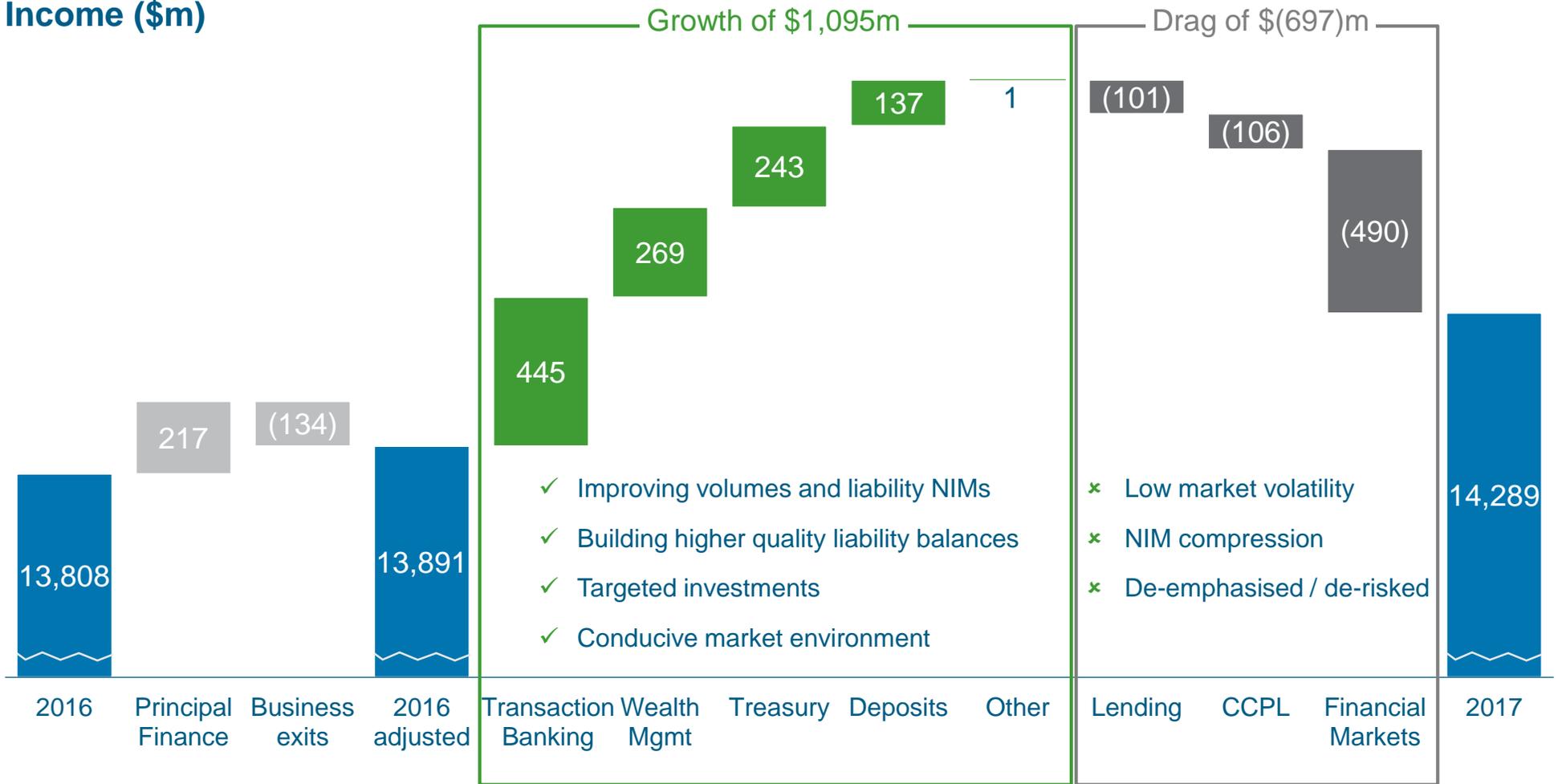
We significantly improved our financial performance in 2017

(\$bn)	2017	2016	Better / (Worse)
Operating income	14.3	13.8	3%
Other operating expenses	(8.6)	(8.5)	(2)%
Regulatory costs	(1.3)	(1.1)	(15)%
UK bank levy	(0.2)	(0.4)	43%
Operating profit before impairment	4.2	3.8	9%
Loan impairment	(1.2)	(2.4)	50%
Other impairment	(0.2)	(0.4)	56%
Profit from associates	0.2	0.0	nm
Underlying profit before tax¹	3.0	1.1	175%
Restructuring	(0.4)	(0.9)	nm
Goodwill and other items	(0.2)	0.2	nm
Statutory profit before tax	2.4	0.4	nm
Common Equity Tier 1 ratio (%)	13.6	13.6	-
Underlying EPS (cents)	47.2	3.4	+43.8c
Dividend per share (cents)	11.0	-	+11.0c
Underlying RoE (%)	3.5	0.3	+320bps

- 3% income growth despite a 4% drag from FM
- Q4 / Q3 impact due partly to the early achievement of a bonus in WM
- Cost efficiencies funded significant investments
- Loan impairments halved
- Tax: \$220m reduction in US deferred tax assets
- Group remains strongly capitalised and highly liquid
 - IFRS 9: negligible impact under transitional rules
 - Basel III: estimated increase in RWA of 10-15%²
 - FY dividend of 11c per ordinary share proposed

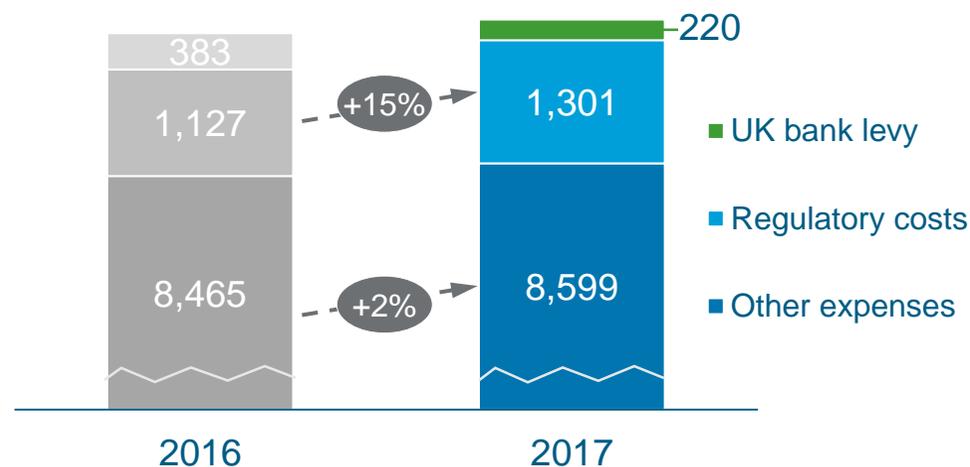
Encouraging year-on-year momentum in liability-led products

Income (\$m)



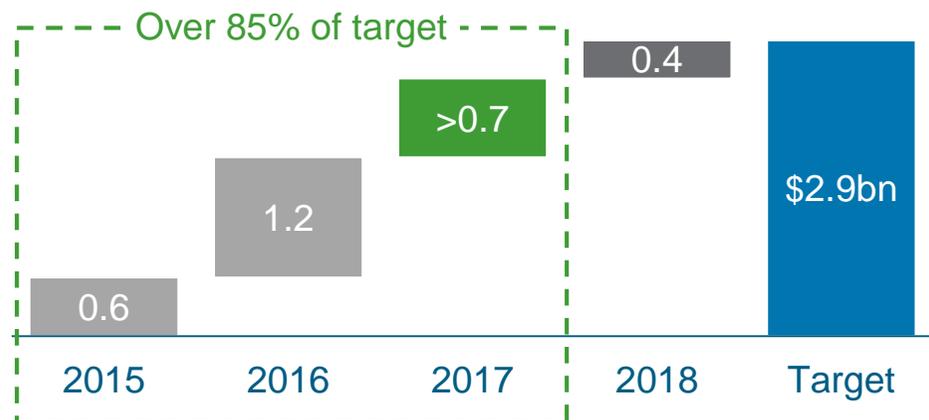
We are maintaining discipline on costs to fund investments

Operating expenses (\$m)



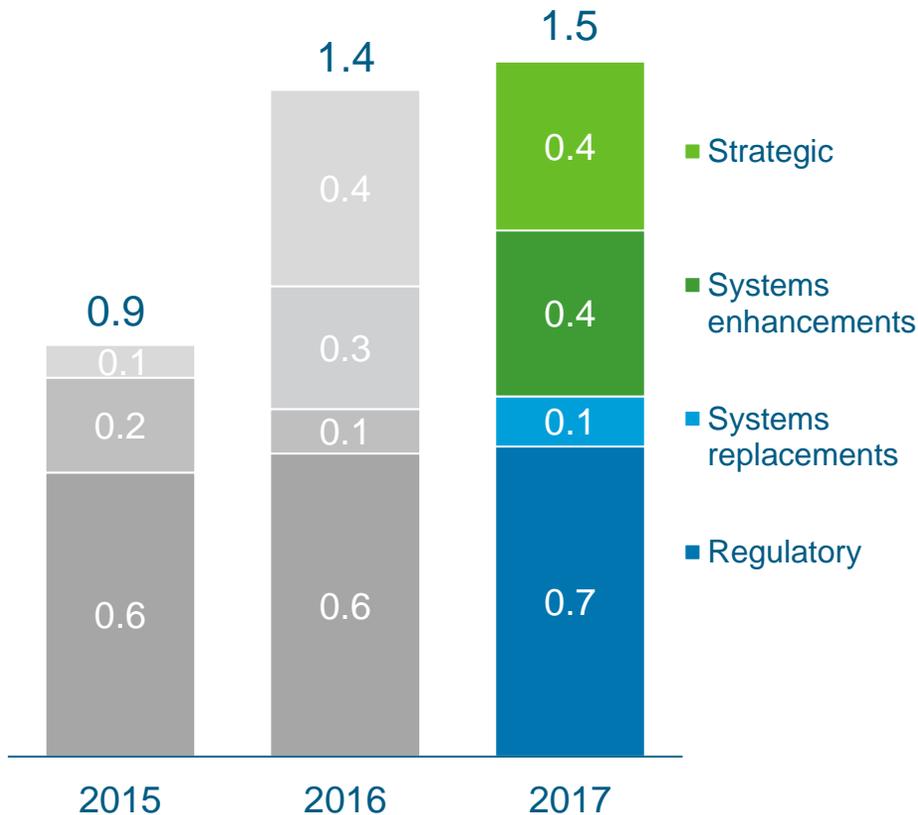
- Tightly managing cost base to fund investments
- Other expenses higher primarily due to variable pay and asset depreciation
- Regulatory costs rose with several large programmes including MiFID II and IFRS 9 being implemented
- UK bank levy
 - Lower prior year estimates reduced levy to \$220m
 - 2018 UK bank levy expected to be around \$310m
- Over 85% of the four-year \$2.9bn gross cost efficiencies target achieved with a year to go
- Anticipate operating expenses ex-UK bank levy in 2018 to be below 2015

On track to deliver cost efficiency targets (\$bn)



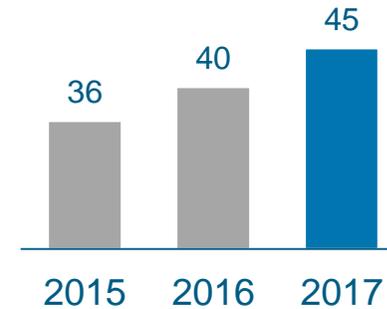
The benefits of our investments are coming through

Increasing cash investment (\$bn)



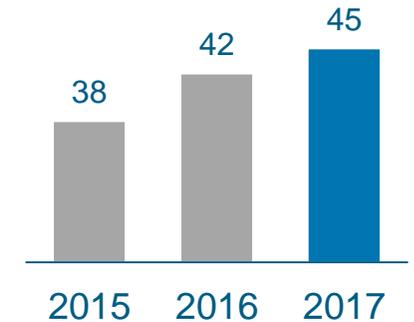
Retail Banking

Digitally active clients (%)



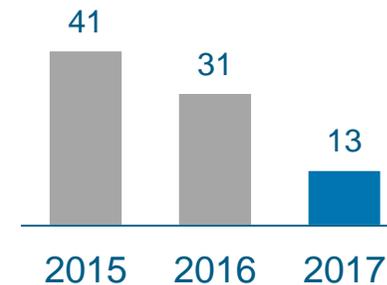
Commercial Banking

Active Straight2Bank clients (%)



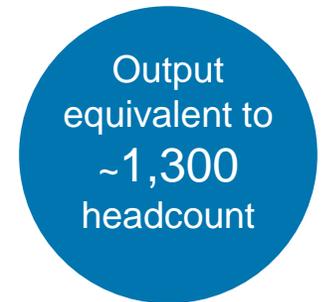
Corporate & Institutional Banking

Average time to on-board a client (days)



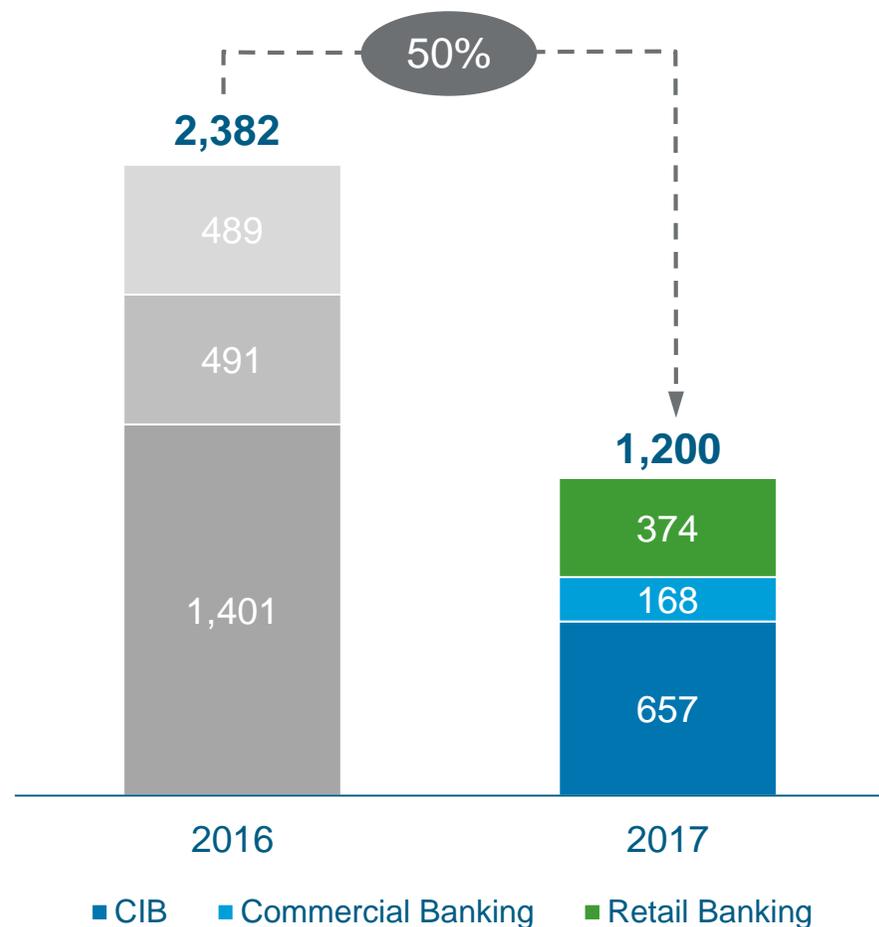
Robotic and lean process automation

Increasing business efficiency



Overall credit quality has improved year-on-year

Reduced ongoing loan impairment (\$m)



Portfolio indicators

Group ongoing business

	H1 16	H2 16	H1 17	H2 17
Credit grade 12 (\$bn)	1.2	1.5	1.3	1.5
Gross NPLs (\$bn)	6.0	5.9	6.3	6.5
Cover ratio	62%	69%	67%	63%
Cover ratio with collateral	73%	74%	73%	79%

CIB and Commercial Banking

Investment grade corporate exposure as percentage of total	51%	56%	54%	57%
Top 20 corporate exposure as percentage of Tier 1 capital	62%	55%	56%	50%
Tenor < 1 year	72%	70%	70%	70%
Early alert portfolio (\$bn)	15.1	12.9	10.4	8.7

Retail Banking

Loan-to-value of retail mortgages	50%	49%	48%	47%
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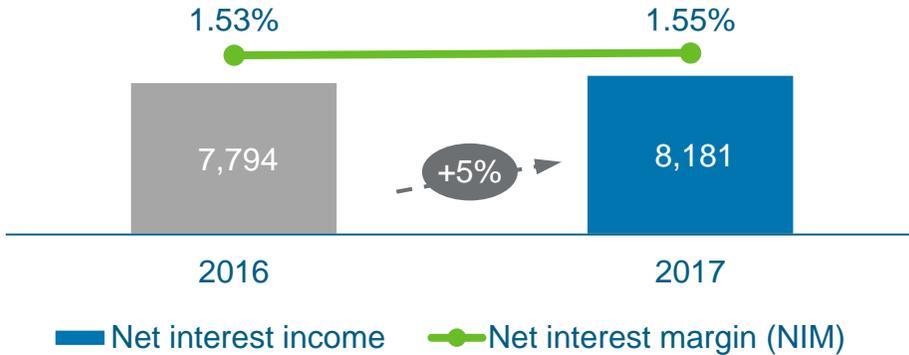
Liquidation portfolio

RWA in liquidation portfolio (\$bn)	19.6	3.8	2.8	0.8
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Balance sheet momentum is returning with an improved NIM

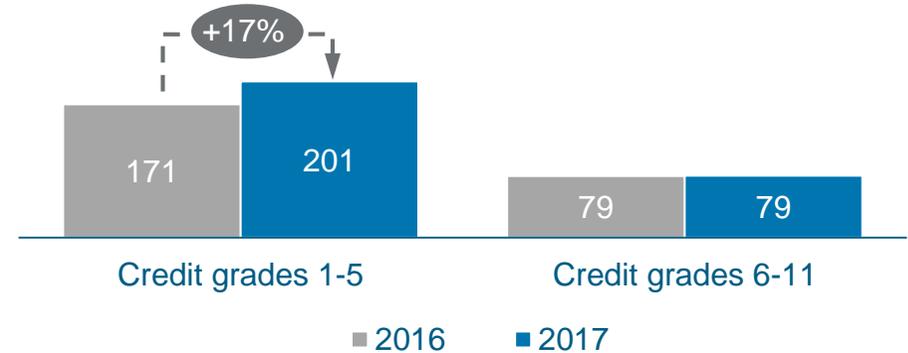
Net interest margin improved

NIM (%) and Net interest income (\$m)



Overall credit quality improved

Performing loans (\$bn)



Balance sheet momentum building

Customer accounts and customer loans and advances (\$bn)



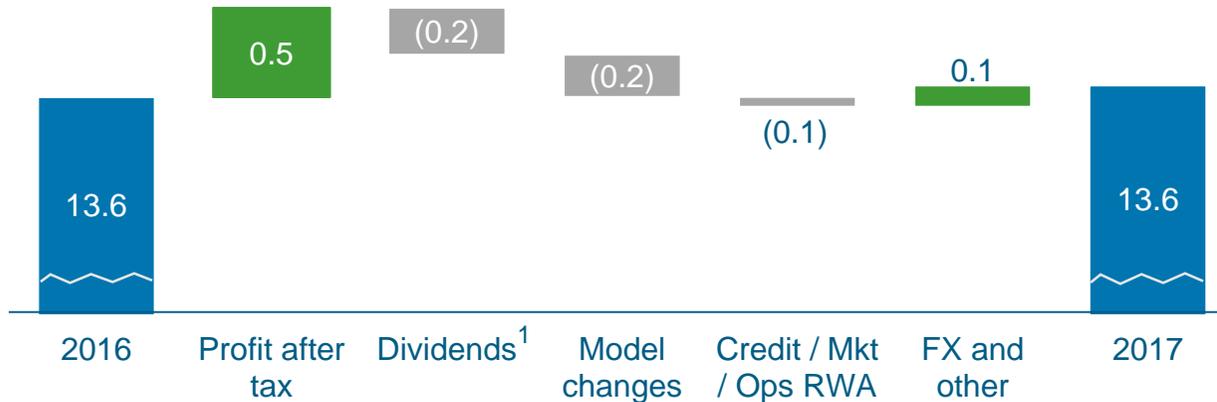
Improved volumes and liability margins

Offsetting asset margin compression

YoY change	Volume	Margin
CASA	↑	↑
Cash Management	↑	↑
Time deposits	↑	↑
Trade	↑	↓
Corporate Finance	↑	↓
Mortgage & Auto	↑	↓

Our capital remains strong and IFRS 9 / Basel III manageable

CET1 ratio (%)



Risk-weighted assets (\$bn)



- CET1 ratio strong at 13.6%
- IFRS 9 from 1 Jan 2018
 - Increases credit provisions by \$1.2bn
 - Negligible day-one impact on CET1 ratio under transitional rules
- Finalisation of Basel III reforms
 - Early assessment of impact is a 10-15% increase in RWAs
 - Subject to further review, national implementation and potential management actions
 - Implementation in 2022

Focus on our businesses that serve corporate clients

Corporate & Institutional Banking

(\$m)	2017	2016	YoY% ¹
Operating income	6,496	6,472	0
Underlying profit before tax	1,261	435	190

Performance

- Transaction Banking income +18% YoY
- Offset by impact of low volatility in Financial Markets
- Strong progress with New 90 and Next 100 clients
- Good balance sheet and client income momentum

Priorities

- Focus on quality income growth
- Improve funding quality
- Improve efficiency, innovate and digitise
- Reduce proportion of low returning RWAs

Commercial Banking

(\$m)	2017	2016	YoY%
Operating income	1,333	1,295	3
Underlying profit before tax	282	(120)	nm

Performance

- Returned to profitability
- NTB clients +35% YoY with growth across all regions
- Significant improvement in RoRWA
- Good balance sheet momentum

Priorities

- Focus on internationalising companies in our footprint
- Invest in frontline training, tools and analytics
- Continue to enhance credit risk management and monitoring, and maintain a high bar on operational risk

Focus on our businesses that serve individuals

Retail Banking

(\$m)	2017	2016	YoY%
Operating income	4,834	4,669	4
Underlying profit before tax	873	766	14

Performance

- Income +7% YoY excluding business exits¹
- Strong growth in Priority, Wealth and Deposits
- Added over 100K new-to-bank Priority clients
- Accelerated digital migration, optimised footprint
- Starting to roll out digital capabilities in key markets

Priorities

- Continue focus on affluent, emerging affluent clients
- Build on alliance initiatives and client ecosystem
- Roll out end-to-end digital in main markets
- Improve cost to income ratio

Private Banking

(\$m)	2017	2016	YoY%
Operating income	500	496	1
Underlying profit before tax	(1)	32	nm

Performance

- Income +6% YoY, ex-insurance recovery in 2016
- \$2.2bn of net new money, AUM +18% YoY
- Continued progress on investment programmes
- Broad-based income growth across regions
- Positive increase in client satisfaction scores

Priorities

- Invest and enhance skills of RM teams
- Enhance our advisory proposition
- Improve efficiency by streamlining and simplifying
- Balance growth and controls

Focus on Greater China & North Asia and ASEAN & South Asia

Greater China & North Asia

(\$m)	2017	2016	YoY%
Operating income	5,616	5,190	8
Underlying profit before tax	1,942	1,340	45

Performance

- Income +8% to \$5.6bn, PBT +45% to \$1.9bn
- Broad-based growth across segments and markets
- Significant progress in Korea and China turnaround
- Positive exit momentum and balance sheet growth

Priorities

- Leverage network strength
- Capture opportunities arising from China's opening
- Build on strong market position in Hong Kong
- Further improve Retail Banking in China and Korea

ASEAN & South Asia

(\$m)	2017	2016	YoY%
Operating income	3,833	4,052	(5)
Underlying profit before tax	492	629	(22)

Performance

- Excluding business exits¹, income down 2% YoY
- Growth in RB, CB and PvB offset by CIB
- Impacted by FM and asset margin compression
- Positive client activity, balance sheet momentum

Priorities

- Optimise geographic portfolio by prioritising larger or more profitable markets
- Shift income mix towards 'asset-light' businesses
- Drive efficiencies and cost discipline
- Deploy differentiating digital capabilities in markets

Focus on Africa & Middle East and Europe & Americas

Africa & Middle East

(\$m)	2017	2016	YoY%
Operating income	2,764	2,742	1
Underlying profit before tax	642	431	49

Performance

- Resilient performance in Africa, income +3% YoY
- Middle East more subdued, income down 2% YoY
- Good growth in Transaction Banking and Wealth Mgmt
- Encouraging balance sheet momentum

Priorities

- Build income momentum and focus on returns
- Continue investing in digitisation initiatives
- Drive efficiency initiatives
- Further strengthen governance, conduct and controls

Europe & Americas

(\$m)	2017	2016	YoY%
Operating income	1,601	1,664	(4)
Underlying profit before tax	71	(148)	nm

Performance

- Income impacted by lower volatility in FM
- Substantial reduction in loan impairment
- Returned to profitability
- Significant income origination engine for the Group¹

Priorities

- Deepen relationships, further expand client base
- Enhance capital efficiency, maintain risk discipline
- Further improve quality of funding
- Grow Private Banking franchise

Focus on Central & other items



Central & other items (segment)

(\$m)	2017	2016	YoY%
Operating income	1,126	876	29
Underlying profit before tax	595	(20)	nm

- Higher Treasury and associates contribution
- Active interest rate risk management and MTM gains
- Improved performance of the Group's joint venture in Indonesia and associate investment in China
- Lower expenses reflect lower UK bank levy

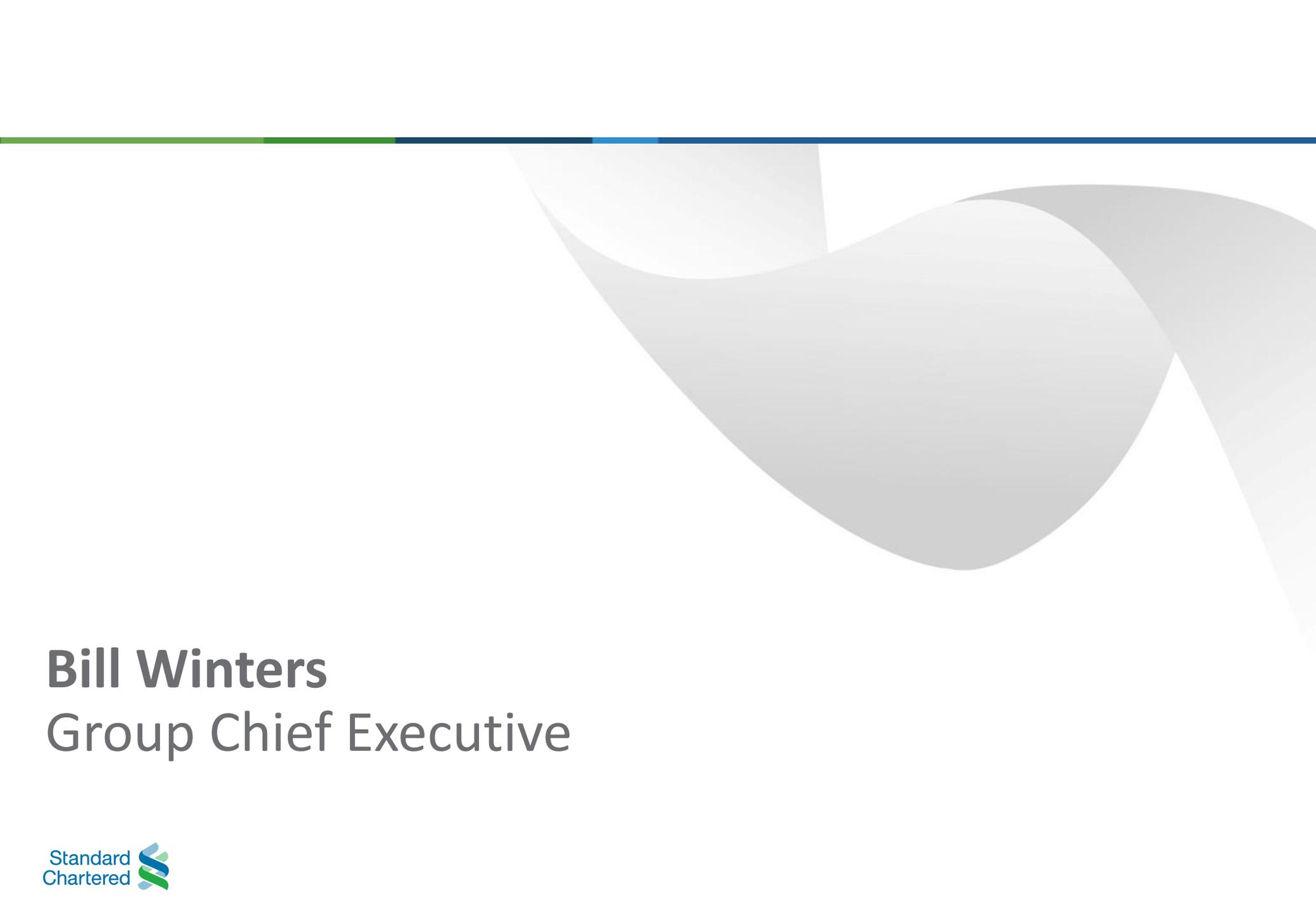
Central & other items (region)

(\$m)	2017	2016	YoY%
Operating income	475	160	197
Underlying profit before tax	(137)	(1,159)	nm

- Absence of Principal Finance¹ losses and higher Treasury income
- Benefited from lower interest expense
- Lower expenses reflect lower UK bank levy

Concluding remarks

- Nearly half way to initial 8% RoE target
- Consistent focus on delivering the strategy set out in 2015
- 2017 top-line held back by Financial Markets, but encouraging start to 2018
- Investments are starting to make a difference
- Regulatory capital uncertainties now much clearer
- Dividend resumption a key milestone
- Focus now on income momentum, simplification and productivity



Bill Winters

Group Chief Executive

2018 priorities to take us closer to our potential

Focus on clients and growth

- Deliver client growth in target segments
- Improve client satisfaction ratings

Improve efficiency, productivity and service quality

- Deliver cost efficiency targets
- Improve productivity

Strengthen foundations in risk and control

- Ensure effective and sustainable financial crime controls
- Enhance cyber risk management

Embed innovation, digitisation and analytics

- Deliver growth in digital volumes
- Drive innovation through new products, solutions and services to clients

Invest in people, strengthen culture and conduct

- Instil strong performance culture
- Improve diversity – gender, cultural and experience

We are innovating in the fight against financial crime

New ways of fighting financial crime

- ✓ Ambition to make financial system a hostile environment for criminals
- ✓ Stepping up innovation to improve effectiveness and efficiency
- ✓ New Cyber Financial Intelligence team, combining cyber and FCC expertise
- ✓ Training more clients / NGOs: 'de-risking through education' programme
- ✓ Working in partnership with regulators, law enforcement and other global banks on transformational initiatives

Engaging our people

- Launch of the Fighting Financial Crime website
- Mandatory and specialist training on AML, ABC and sanctions

The right controls

- Continued investment in people, processes and systems
- 2018 roll-out of successful RegTech pilots
- Cyber Financial Intelligence team in the US

How we are fighting financial crime

Helping to raise industry standards

- Correspondent Banking Academies
- Financial Crime Risk Management Academy for NGOs
- Involvement in the Wolfsberg Group, SWIFT, ICC, UK Finance, BSAAG, ACAMS and RUSI

Forging new partnerships

- Leading role in innovative public-private throughout our markets
- Sharing learning and advocating for change alongside key voices: IMF, World Bank, FSB, think tanks

Driving technological change – moving from follower to leader

Secure the foundations

- Compliance and security – Investing in information and cyber-defence
- Improving data integrity and availability in Group-wide data lake
- People – Attract outstanding talent with a thought-leading and diverse organisation
- Advanced analytics – Better risk decisions

Deliver scale efficiency

- Improved systems resilience, fewer outages
- Continuously building new ways to engage clients
- Optimised and transformed operations hubbing
- Robotic Process Automation, AI
- Lean processes, machine learning, distributed ledgers, biometrics, chatbots



**A digital bank with
a human touch**

Improve customer experience

- Enhanced multi-channel functionality
- Improved end-to-end process for clients: Straight2Bank, Straight2Bank Next Gen
- Identified sales opportunities through analytics
- Deepening client relationships at lower costs

Leverage new technologies

- Improved client experience on mobile and online platform
- Launched SC Ventures and expanded eXellerator / Fintech collaboration
- Simpler, better systems architecture
- Developed agile operating model: Cloud and API adoption

Transitioning to a high performance culture

Human

We must become a truly client-focused and performance-driven organisation.

This transformation is critical to our success.



Purpose

Driving commerce and prosperity through our unique diversity.



Valued behaviours

Based on feedback from over 70,000 employees, our valued behaviours demand that we do things differently in order for us to succeed.

Only then will we realise our true potential and be **Here for good**.



Do the right thing



Never settle



Better together

Concluding remarks

We are
making
progress

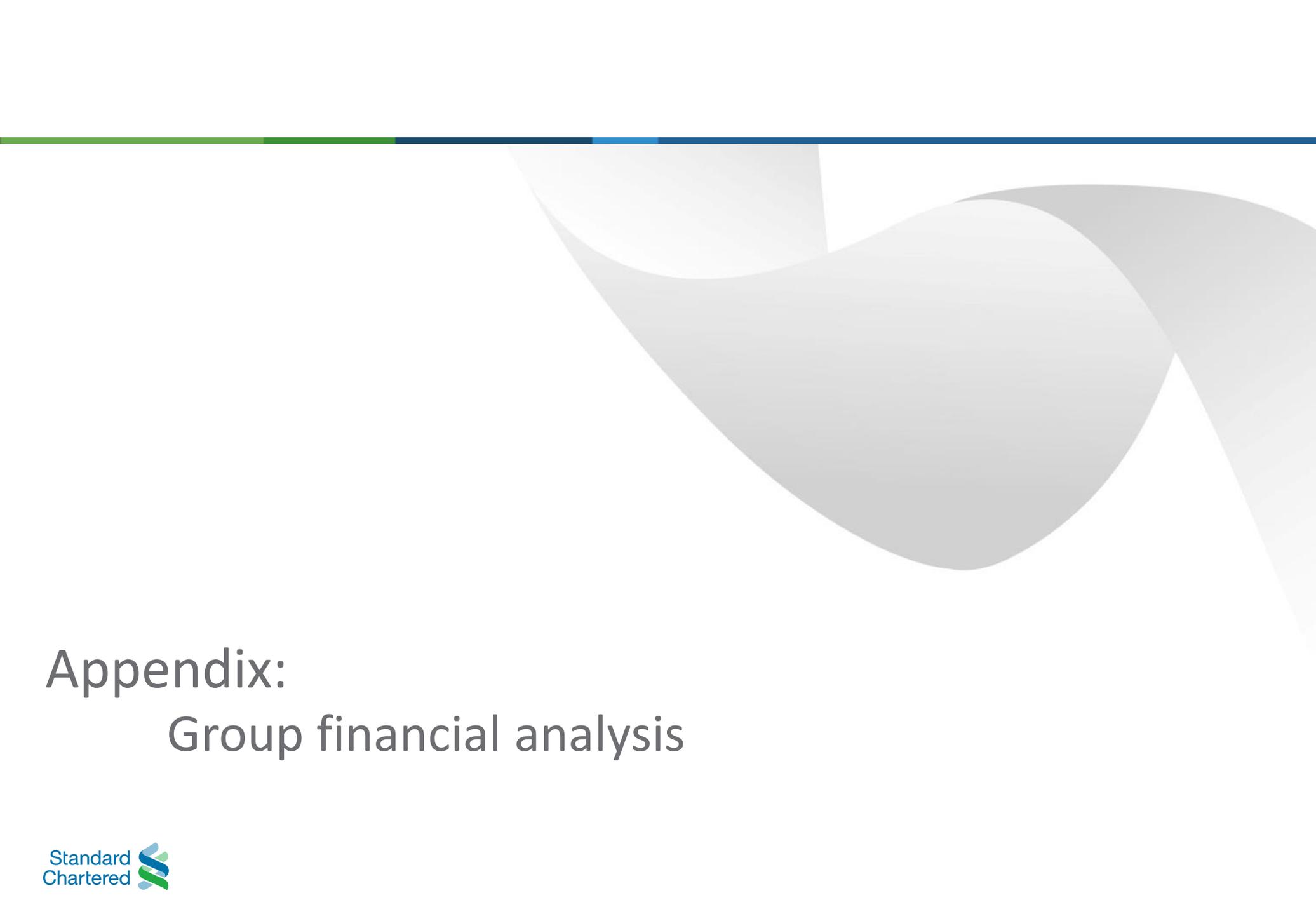
We can
grow with
our markets
and then
beyond

We are
improving our
productivity
and returns

We are
focused on
covering our
capital cost



Q&A



Appendix:

Group financial analysis

Group financial summary

(\$m)	2017	2016	2017 vs 2016 % ¹
Income	14,289	13,808	3
Other operating expenses	(8,599)	(8,465)	(2)
Regulatory expenses	(1,301)	(1,127)	(15)
UK bank levy	(220)	(383)	43
Pre-provision operating profit	4,169	3,833	9
Loan impairment	(1,200)	(2,382)	50
Other impairment	(169)	(383)	56
Profit from associates	210	25	nm
Underlying profit / (loss) before tax	3,010	1,093	175
Restructuring	(353)	(855)	
Debt buyback	-	84	
Gain on sale	78	253	
Goodwill / intangible impairments	(320)	(166)	
Statutory profit / (loss) before tax	2,415	409	nm
Taxation	(1,147)	(600)	
Profit / (Loss) for the year	1,268	(191)	nm

Q4 2017	Q3 2017	Q4 2016	Q4 17 vs Q3 17 % ¹	Q4 17 vs Q4 16 % ¹
3,478	3,589	3,533	(3)	(2)
(2,283)	(2,146)	(2,368)	(6)	4
(366)	(336)	(303)	(9)	(21)
(220)	-	(383)	nm	43
609	1,107	479	(45)	27
(269)	(348)	(690)	23	61
(66)	(19)	(106)	(247)	38
3	74	(42)	(96)	Nm
277	814	(359)	(66)	nm
(120)	(68)	(599)		
-	-	-		
50	28	253		
(320)	-	(166)		
(113)	774	(871)	nm	nm

Income by product

(\$m)	2017	2016	2017 vs 2016 %
Transaction Banking	3,329	2,884	15
Trade	1,197	1,199	(0)
Cash Management and Custody	2,132	1,685	27
Financial Markets	2,544	3,035	(16)
Foreign Exchange	943	1,150	(18)
Rates	535	677	(21)
Commodities	157	190	(17)
Credit and Capital Markets	376	364	3
Capital Structuring Distribution Group	279	306	(9)
Other Financial Markets	254	348	(27)
Corporate Finance	1,476	1,470	0
Lending and Portfolio Management	496	597	(17)
Principal Finance	-	(217)	nm
Wealth Management	1,741	1,483	17
Retail Products	3,583	3,658	(2)
CCPL and other unsecured lending	1,367	1,557	(12)
Deposits	1,419	1,287	10
Mortgage and Auto	724	739	(2)
Other Retail Products	73	75	(3)
Treasury	1,143	900	27
Other	(23)	(2)	nm
Total operating income	14,289	13,808	3%

Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
876	856	812	785	744
298	306	296	297	295
578	550	516	488	449
536	663	637	708	779
208	238	272	225	272
74	172	127	162	147
35	42	32	48	53
85	90	82	119	97
51	72	74	82	103
83	49	50	72	107
466	325	360	325	402
111	128	122	135	130
-	-	-	-	(20)
397	488	435	421	377
916	891	905	871	900
334	349	340	344	370
366	344	363	346	326
196	179	185	164	185
20	19	17	17	19
200	255	339	349	198
(24)	(17)	4	14	23
3,478	3,589	3,614	3,608	3,533

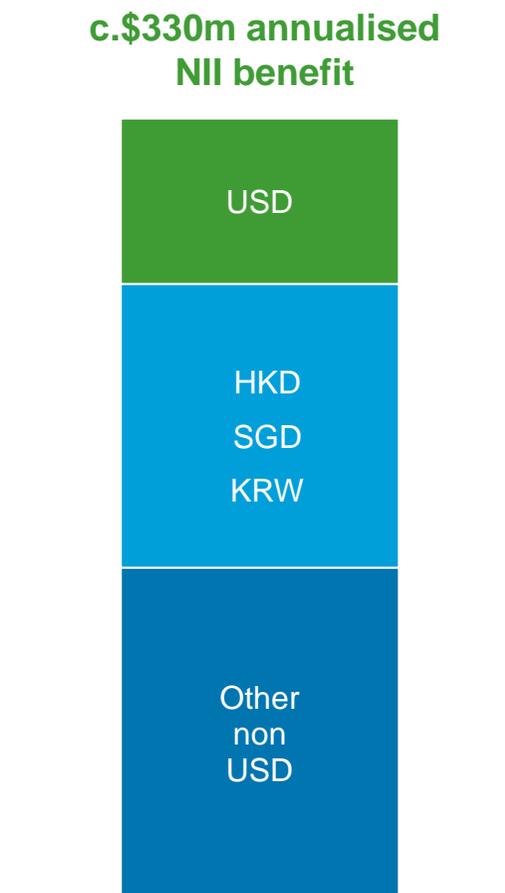
Group credit quality and liquidation portfolio

(\$m)	2017			2016		
	Ongoing business	Liquidation portfolio	Total	Ongoing business	Liquidation portfolio	Total
Underlying loan impairment	1,200	-	1,200	2,382	-	2,382
Restructuring loan impairment	42	120	162	-	409	409
Statutory loan impairment	1,242	120	1,362	2,382	409	2,791
Loans and advances						
Gross loans and advances	289,007	2,248	291,255	258,396	3,854	262,250
Net loans and advances	284,878	675	285,553	254,463	1,433	255,896
Credit quality						
Gross non-performing loans	6,453	2,226	8,679	5,880	3,807	9,687
Individual impairment provisions	(3,607)	(1,573)	(5,180)	(3,355)	(2,421)	(5,776)
Net non-performing loans	2,846	653	3,499	2,525	1,386	3,911
Credit grade 12 accounts ¹	1,483	22	1,505	1,499	22	1,521
Cover ratio (%)	63	71	65	69	64	67
Cover ratio after collateral (%)	79	86	81	74	80	76
Risk-weighted assets	278,933	815	279,748	265,637	3,808	269,445

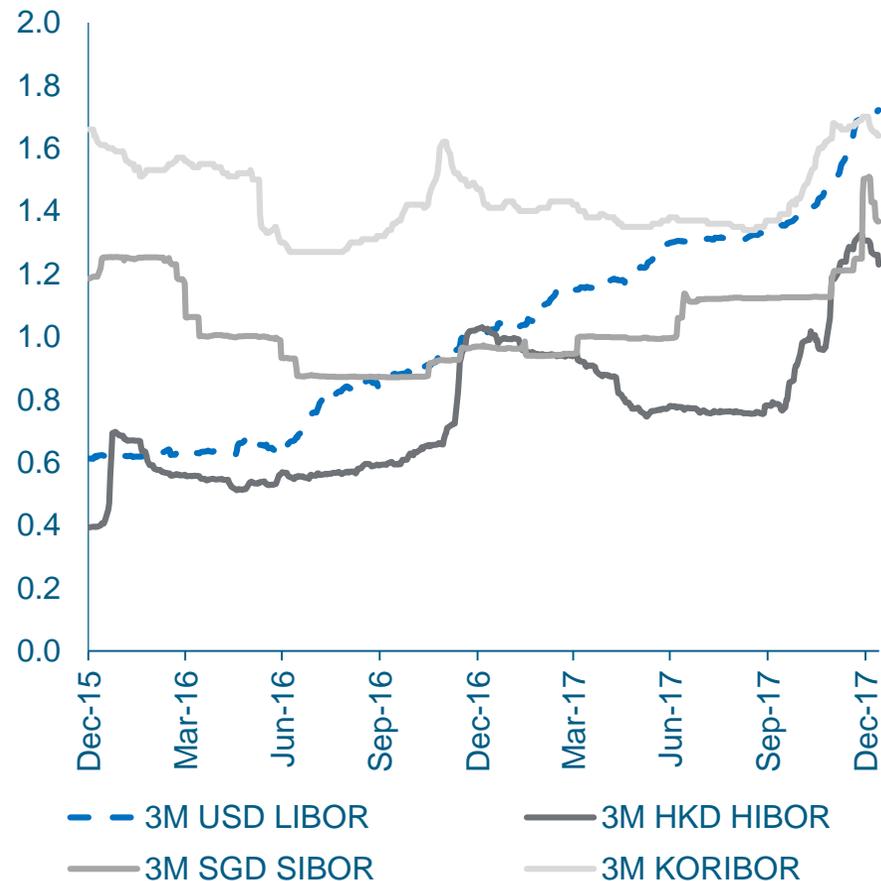
Interest rate sensitivity

Estimate c.\$200m of NII benefit in 2017, mostly in GCNA

NII sensitivity to +50bps rise in global interest rates¹



Transmission from USD rates to LCY²





Appendix:

Client segment financial analysis

Underlying performance by client segment

2017 (\$m)	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items	Total
Operating income	6,496	4,834	1,333	500	1,126	14,289
Operating expenses	(4,409)	(3,585)	(881)	(500)	(745)	(10,120)
Operating profit before impairment	2,087	1,249	452	-	381	4,169
Loan impairment	(658)	(375)	(167)	(1)	1	(1,200)
Other impairment	(168)	(1)	(3)	-	3	(169)
Profit from associates and joint ventures	-	-	-	-	210	210
Underlying profit / (loss) before tax	1,261	873	282	(1)	595	3,010
Statutory profit / (loss) before tax	986	854	269	(16)	322	2,415
2016 (\$m)						
Operating income	6,472	4,669	1,295	496	876	13,808
Operating expenses	(4,268)	(3,413)	(929)	(463)	(902)	(9,975)
Operating profit before impairment	2,204	1,256	366	33	(26)	3,833
Loan impairment	(1,401)	(489)	(491)	(1)	-	(2,382)
Other impairment	(368)	(1)	5	-	(19)	(383)
Profit from associates and joint ventures	-	-	-	-	25	25
Underlying profit / (loss) before tax	435	766	(120)	32	(20)	1,093
Statutory profit / (loss) before tax	(24)	719	(146)	(41)	(99)	409
YoY%						
Operating income	0%	4%	3%	1%	29%	3%
Underlying profit / (loss) before tax	190%	14%	nm	nm	nm	175%

Corporate & Institutional Banking

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	6,496	6,472	0
Transaction Banking	2,564	2,168	18
Financial Markets	2,266	2,771	(18)
Corporate Finance	1,390	1,394	(0)
Lending and Portfolio Mgmt	284	358	(21)
Principal Finance	-	(219)	(100)
Other	(8)	-	nm
Operating expenses	(4,409)	(4,268)	(3)
Loan impairment	(658)	(1,401)	53
Other impairment	(168)	(368)	54
Underlying profit before tax	1,261	435	190
Statutory profit / (loss) before tax	986	(24)	nm

Key metrics	2017	2016	YoY%
Customer loans and advances (\$bn)	131.7	122.2	8
Customer deposits (\$bn)	222.7	204.3	9
Risk-weighted assets (\$bn)	147.1	142.8	3
Return on RWA	0.9%	0.3%	

Income performance

- **CIB income flat** YoY. Excluding Principal Finance losses in 2016, income down 3% YoY
- **Transaction Banking income up 18%** YoY and 9% HoH:
 - Cash Management and Custody income up 28% YoY due to improved margins from growth in high quality operating accounts and US central bank rate rises
 - Trade income up 1% YoY as higher balances were offset by margin compression
- **Financial Markets income down 18%** YoY due to lower market volatility resulting in lower client activity and spreads
 - FX and Rates income declined impacted by lower market volatility
 - Cash FX volume continued to grow
 - Capital Markets grew due to higher market demand
- **Corporate Finance income was flat** YoY, though up HoH in H2 17 with higher asset origination and deal activity offset by margin compression
- **Lending and Portfolio Management income down 21%** YoY following actions to exit low-returning client relationships and with margins impacted by liquidity conditions in markets

Retail Banking

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	4,834	4,669	4
<i>Greater China & North Asia</i>	<i>2,684</i>	<i>2,445</i>	<i>10</i>
<i>ASEAN & South Asia</i>	<i>1,302</i>	<i>1,381</i>	<i>(6)</i>
<i>Africa & Middle East</i>	<i>813</i>	<i>809</i>	<i>0</i>
<i>Europe & Americas</i>	<i>34</i>	<i>34</i>	<i>0</i>
Operating expenses	(3,585)	(3,413)	(5)
Loan impairment	(375)	(489)	23
Other impairment	(1)	(1)	nm
Underlying profit before tax	873	766	14
Statutory profit / (loss) before tax	854	719	19

Key metrics	2017	2016	YoY%
Customer loans and advances (\$bn)	103.0	93.5	10
Customer deposits (\$bn)	129.5	117.4	10
Risk-weighted assets (\$bn)	44.1	42.2	5
Return on RWA	2.0%	1.7%	

Income performance

- **Retail Banking income was up 4% YoY.** Excluding the impact of business exits in Thailand and the Philippines, income was up 7% YoY with good performance across several markets, particularly in GCNA
- **GCNA income was up 10% YoY** due to Wealth Management, particularly in Hong Kong, and higher Deposit balances across the region more than offsetting lower asset margins. Good progress was also made in improving the performances in China and Korea, where income was up 9% YoY and 7% YoY respectively
- **ASA income declined 6% YoY.** Excluding the impact of business exits in Thailand and the Philippines, income was up 4% YoY. Income in Singapore and India was up 7% YoY and 12% YoY respectively supported by balance sheet growth and Wealth Management income, but partly offset by lower income in Malaysia
- **AME income was stable YoY.** Better performances in Nigeria and the UAE offset the impact of local currency depreciation in a number of African markets and the introduction of interest rate caps in Kenya

Commercial Banking

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	1,333	1,295	3
Greater China & North Asia	527	522	1
ASEAN & South Asia	504	478	5
Africa & Middle East	302	295	2
Operating expenses	(881)	(929)	5
Loan impairment	(167)	(491)	66
Other impairment	(3)	5	nm
Underlying profit before tax	282	(120)	nm
Statutory profit / (loss) before tax	269	(146)	nm

Key metrics	2017	2016	YoY%
Customer loans and advances (\$bn)	28.1	24.0	17
Customer deposits (\$bn)	33.9	32.6	4
Risk-weighted assets (\$bn)	33.1	31.9	4
Return on RWA	0.9%	(0.4)%	

Income performance

- **Commercial Banking income was up 3% YoY**, driven by positive improvement across all regions and strong balance sheet momentum. Income in H2 17 was up 2% on H1 17
- **GCNA income was up 1% YoY** driven by Cash Management. Continued growth in China was offset by Hong Kong, where margin compression in Trade and Lending more than offset the benefit of US central bank rate rises on Cash Management margins
- **ASA income was up 5% YoY**. Income in India and Singapore was higher YoY led by Corporate Finance and Financial Markets, due to higher volumes and flows, while margin compression and local currency depreciation impacted Malaysia. Cash Management in Singapore also benefited from higher margins following US central bank rate rises, as well as higher balances
- **AME income was 2% higher YoY**, mainly due to Nigeria and Pakistan. This was partly offset by the UAE due to lower margins in Trade and lower Corporate Finance balances, while income in key African markets was impacted by local currency depreciation

Private Banking

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	500	496	1
<i>Wealth Management</i>	299	280	7
<i>Retail Products</i>	201	193	4
<i>Other</i>	-	23	nm
Operating expenses	(500)	(463)	(8)
Loan impairment	(1)	(1)	nm
Other impairment	-	-	nm
Underlying profit before tax	(1)	32	nm
Statutory profit / (loss) before tax	(16)	(41)	59

Key metrics	2017	2016	YoY%
Customer loans and advances (\$bn)	13.5	11.9	13
Customer deposits (\$bn)	22.2	21.8	2
Risk-weighted assets (\$bn)	5.9	6.1	(2)
Return on RWA	(0.0)%	0.5%	

Income performance

- **Private Banking income was up 1% YoY.** Excluding an insurance recovery in the first half of 2016 income was up 6% YoY, led by growth in Hong Kong, Singapore and the UAE
- **Wealth Management income was up 7% YoY.** Growth in Treasury and Managed Investment products was partly offset by lower income from secured lending and bancassurance
- **Retail Products income grew by 4% YoY** mainly driven by higher Deposit income due to improved margins with interest rate rises on foreign currency deposits, particularly in Hong Kong
- **Assets under management increased by \$10.2bn or 18% YoY** with \$2.2bn of net new money

Appendix:

Region financial analysis

Underlying performance by region

2017 (\$m)	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
Operating income	5,616	3,833	2,764	1,601	475	14,289
Operating expenses	(3,681)	(2,654)	(1,819)	(1,407)	(559)	(10,120)
Operating profit before impairment	1,935	1,179	945	194	(84)	4,169
Loan impairment	(141)	(653)	(300)	(107)	1	(1,200)
Other impairment	(81)	(12)	(3)	(16)	(57)	(169)
Profit from associates and joint ventures	229	(22)	-	-	3	210
Underlying profit / (loss) before tax	1,942	492	642	71	(137)	3,010
Statutory profit / (loss) before tax	1,977	350	609	46	(567)	2,415
2016 (\$m)						
Operating income	5,190	4,052	2,742	1,664	160	13,808
Operating expenses	(3,546)	(2,518)	(1,730)	(1,302)	(879)	(9,975)
Operating profit before impairment	1,644	1,534	1,012	362	(719)	3,833
Loan impairment	(424)	(762)	(563)	(511)	(122)	(2,382)
Other impairment	(47)	3	(18)	1	(322)	(383)
Profit from associates and joint ventures	167	(146)	-	-	4	25
Underlying profit / (loss) before tax	1,340	629	431	(148)	(1,159)	1,093
Statutory profit / (loss) before tax	1,456	186	349	(261)	(1,321)	409
YoY%						
Operating income	8%	(5%)	1%	(4)%	197%	3%
Underlying profit / (loss) before tax	45%	(22)%	49%	nm	nm	175%

Greater China & North Asia

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	5,616	5,190	8
<i>Hong Kong</i>	3,384	3,138	8
<i>Korea</i>	967	881	10
<i>China</i>	707	696	2
<i>Other</i>	558	475	17
Operating expenses	(3,681)	(3,546)	(4)
Loan impairment	(141)	(424)	67
Other impairment	(81)	(47)	(72)
Profit from associates	229	167	37
Underlying profit before tax	1,942	1,340	45
Statutory profit / (loss) before tax	1,977	1,456	36

Key metrics	2017	2016	YoY%
Net interest margin	1.4%	1.3%	
Customer loans and advances (\$bn)	126.7	110.5	15
Customer deposits (\$bn)	186.5	170.0	10
Risk-weighted assets (\$bn)	84.6	76.7	10

Income performance

- **GCNA income was up 8% YoY** and 1% HoH, driven by broad-based growth across markets and segments
- **Hong Kong income was up 8% YoY.** Income growth in CIB was driven by Cash Management and Corporate Finance. RB and PvB were driven by positive momentum in Wealth Management and improving deposit margins
- **Korea income grew 10% YoY.** RB income was driven by Mortgages and Wealth Management. CIB income benefited from stronger Financial Markets performance. CB income also improved
- **China income was up 2% YoY.** CIB growth was supported by Financial Markets and Cash Management. RB income was higher underpinned by Wealth Management and Deposit income

ASEAN & South Asia

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	3,833	4,052	(5)
<i>Singapore</i>	1,419	1,489	(5)
<i>India</i>	1,008	960	5
<i>Other</i>	1,406	1,603	(12)
Operating expenses	(2,654)	(2,518)	(5)
Loan impairment	(653)	(762)	14
Other impairment	(12)	3	nm
Profit from associates	(22)	(146)	85
Underlying profit before tax	492	629	(22)
Statutory profit / (loss) before tax	350	186	88

Key metrics	2017	2016	YoY%
Net interest margin	1.9%	2.0%	
Customer loans and advances (\$bn)	82.6	73.2	13
Customer deposits (\$bn)	95.3	88.1	8
Risk-weighted assets (\$bn)	96.7	96.7	0

Income performance

- **ASA income was down 5% YoY** impacted by decisions to exit RB in Thailand and the Philippines in 2016 and low market volatility impacting Financial Markets. Excluding business exits, income was down 2% YoY
- **Singapore income was down 5% YoY** due to a decline in CIB income as lower volatility impacted Financial Markets. RB income was higher YoY with growth in Wealth Management and Deposits offsetting lower asset margins. CB income was up YoY driven by Corporate Finance and initiatives to grow cash balances
- **India income was up 5% YoY**, benefiting from non-recurring gains on sale of securities. Excluding this, income was broadly flat. RB income was higher YoY, driven by Wealth Management. Income was also higher YoY in CB and PvB, offset by a reduction in CIB reflecting lower volatility in Financial Markets and high market liquidity in Corporate Finance impacting margins

Africa & Middle East

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	2,764	2,742	1
<i>Africa</i>	<i>1,480</i>	<i>1,430</i>	<i>3</i>
<i>Middle East</i>	<i>1,284</i>	<i>1,313</i>	<i>(2)</i>
Operating expenses	(1,819)	(1,730)	(5)
Loan impairment	(300)	(563)	47
Other impairment	(3)	(18)	83
Profit from associates	-	-	nm
Underlying profit before tax	642	431	49
Statutory profit / (loss) before tax	609	349	75

Key metrics	2017	2016	YoY%
Net interest margin	3.3%	3.2%	
Customer loans and advances (\$bn)	29.6	28.1	5
Customer deposits (\$bn)	31.8	29.9	6
Risk-weighted assets (\$bn)	56.4	52.8	7

Income performance

- **AME income was 1% higher** YoY, despite local currency depreciation and weak market conditions
- **On a constant currency basis, income rose 3%** YoY driven by Cash Management and Wealth Management, partly offset by margin compression and de-risking activity
- **Africa income rose 3%** YoY. Income from Nigeria rose 3% YoY driven by RB products, in particular Deposits, as well as growth in CB. Income in Kenya was down 4% YoY due to interest rate caps on RB products. South Africa income was higher driven by better deal flow with CIB clients in Financial Markets and Corporate Finance
- **Middle East income was 2% lower** YoY driven by CIB, as a result of actions taken to improve risk profile and continued lower levels of corporate activity and market volatility

Europe & Americas

Financial analysis

(\$m)	2017	2016	YoY % ¹
Operating income	1,601	1,664	(4)
UK	747	791	(6)
US	675	661	2
Other	179	212	(16)
Operating expenses	(1,407)	(1,302)	(8)
Loan impairment	(107)	(511)	79
Other impairment	(16)	1	nm
Profit from associates	-	-	nm
Underlying profit before tax	71	(148)	nm
Statutory profit / (loss) before tax	46	(261)	nm

Key metrics	2017	2016	YoY%
Net interest margin	0.5%	0.5%	
Customer loans and advances (\$bn)	46.6	44.1	6
Customer deposits (\$bn)	98.1	90.3	9
Risk-weighted assets (\$bn)	44.7	43.5	3

Income performance

- **EA income fell 4% YoY** as higher balances and margins in Cash Management and higher transaction volumes were more than offset by continued pressures on margins across Lending, Trade and Financial Markets
- **Income in H2 17 was broadly stable on H1 17** supported by growth in customer balances and transaction volumes, and US central bank rate rises
- **UK income fell 6% YoY** driven by a decline in Financial Markets income due to low levels of volatility, offsetting improvements in Treasury and Cash Management
- **US income was up 2% YoY**, reflecting momentum in CIB, particularly in Cash Management
- **EA remains a strategic focus for CIB globally.** Income generated by EA clients that is booked in other markets grew YoY with good progress made in on-boarding 79 'New 90' CIB clients in the region



Appendix: Glossary

Glossary

Acronym / term	Explanation
ABC	Anti-bribery and corruption
ACAMS	Association of Certified Anti-Money Laundering Specialists
AI	Artificial intelligence
AME	Africa & Middle East
AML	Anti-money laundering
API	Application programming interface
ASA	ASEAN & South Asia
AT1	Additional Tier 1 Capital
AUM	Assets under management
BSAAG	Bank Secrecy Act Advisory Group
C&OI	Central and other items
CAGR	Compound annual growth rate
CASA	Current and savings account
CCPL	Credit Cards, Personal Loans and other unsecured lending
CET1	Common Equity Tier 1 capital
CG12	Credit grade 12

Acronym / term	Explanation
CB	Commercial Banking
CIB	Corporate & Institutional Banking
Cover ratio	Represents extent to which NPLs are covered by impairment allowances
EA	Europe & Americas
Exposures	Represent the amount lent to a customer, together with any undrawn commitments
FCC	Financial crime compliance
FSB	Financial Stability Board
FM	Financial Markets
GCNA	Greater China & North Asia
HoH	Half-on-half
ICC	International Chamber of Commerce
LI	Loan impairment
Liquidation portfolio	Portfolio of assets beyond current risk appetite metrics and is held for liquidation
MTM	Mark-to-market
NGO	Non-governmental organisation

Acronym / term	Explanation
NII	Net interest income
NIM	Net interest margin
nm	Not meaningful
NPL	Non-performing loans
NTB	New-to-bank
PBT	Profit before tax
PvB	Private Banking
QoQ	Quarter-on-quarter
RB	Retail Banking
RM	Relationship Manager
RoE	Return on equity
RoRWA	Profit before tax as a percentage of RWA
RUSI	Royal United Services Institute
RWA	Risk-weighted assets
SME	Small and medium enterprises
WM	Wealth Management
YoY	Year-on-year