Underlying performance by region

	6 months ended 30.06.19					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	3,080	2,136	1,340	794	346	7,696
Operating expenses	(1,826)	(1,292)	(850)	(715)	(286)	(4,969)
Operating profit before impairment losses and taxation	1,254	844	490	79	60	2,727
Credit impairment	(70)	(84)	(49)	(66)	15	(254)
Other impairment	(8)	–	–	–	(13)	(21)
Profit from associates and joint ventures	153	–	–	–	4	157
Underlying profit before taxation	1,329	760	441	13	66	2,609
Provision for regulatory matters	–	–	–	–	(204)	(204)
Restructuring	(3)	(16)	(2)	(15)	22	(14)
Share of profits of PT Bank Permata Tbk joint venture	–	23	–	–	–	23
Statutory profit/(loss) before taxation	1,326	767	439	(2)	(116)	2,414
Net interest margin	1.48%	1.96%	3.10%	0.55%		1.59%
Total assets	275,414	151,714	59,189	214,126	12,061	712,504
Of which: loans and advances to customers including FVTPL	134,440	82,826	30,161	59,215	–	306,642
loans and advances to customers	127,769	80,769	29,289	25,768	–	263,595
loans held at fair value through profit or loss	6,671	2,057	872	33,447	–	43,047
Total liabilities	240,802	132,763	37,000	215,504	35,996	662,065
Of which: customer accounts	196,994	101,594	29,621	116,702	–	444,911

	6 months ended 30.06.18					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	3,097	2,073	1,376	870	233	7,649
Operating expenses	(1,903)	(1,360)	(919)	(736)	(199)	(5,117)
Operating profit before impairment losses and taxation	1,194	713	457	134	34	2,532
Credit impairment	(17)	(138)	(70)	(68)	–	(293)
Other impairment	(44)	7	–	17	(31)	(51)
Profit from associates and joint ventures	156	7	–	3	2	168
Underlying profit before taxation	1,289	589	387	86	5	2,356
Restructuring	(26)	88	(41)	(5)	(95)	(79)
Gains arising on repurchase of senior and subordinated liabilities	–	–	–	3	66	69
Statutory profit/(loss) before taxation	1,263	677	346	84	(24)	2,346
Net interest margins	1.46%	2.03%	3.12%	0.44%		1.59%
Total assets	268,294	147,017	58,343	208,599	12,621	694,874
Of which: loans and advances to customers including FVTPL	132,679	82,078	30,967	50,995	–	296,719
Total liabilities	235,214	126,815	38,493	210,002	32,862	643,386
Of which: customer accounts	190,305	95,228	31,540	117,941	–	435,014

Europe & Americas

Clients based in Europe & Americas generate over one-third of Corporate & Institutional Banking income, with two-thirds of that income booked in the Group's other regions where the service is provided

Strategic priorities

- Continue to attract new international corporate and financial institutional clients and deepen relationships with existing and new clients by banking them across more markets in our network, connecting them to the world's fastest growing markets
- Scale up our continental European business, leveraging significant trade corridors with Asia and Africa
- Enhance capital efficiency, maintain strong risk oversight and further improve the quality of our funding base
- Grow our Private Banking franchise and assets under management in London and Jersey
- Leverage our network capabilities as new e-commerce based industries grow internationally

Progress

- Good progress in improving the share of business from targeted multinational corporate clients, with income up 25 per cent and 9 per cent from 'New' OECD and 'Next' client initiatives respectively
- Continued growth in our key Greater China corridor providing high network returns from Europe & Americas clients
- The Group is well prepared for Brexit with Standard Chartered Bank AG (Germany) operational and providing a strong base to grow our continental Europe franchise
- Launched sustainable finance business and issued inaugural sustainable bond focused on emerging markets

Performance highlights

- Underlying profit before taxation of $13 million, down 85 per cent primarily due to lower operating income, partially offset by reduced costs
- Underlying income of $794 million was down 9 per cent due to an adverse swing in the debit valuation adjustment (DVA) in Financial Markets, resulting from an improvement in the Group's own credit risk, and lower Treasury income. This offset strong performance in Transaction Banking and Financial Markets
- Income generated by Europe & Americas clients, but booked elsewhere in our network, increased by 4 per cent
- Improvement in credit quality of assets combined with good income growth resulted in an increase in the returns originated from Europe & Americas clients

All comparisons are based on the same period last year unless otherwise stated

Group Chief Risk Officer's review

Sustainable growth; solid foundations

The risk landscape is constantly evolving, and we need to ensure our approach is agile and efficient in dealing with the challenge. We have continued to invest in technology, streamlined our processes in order to serve clients better, and embraced innovation. We have maintained a strong focus on key risk fundamentals, with asset quality improving year-on-year and remaining stable since the end of 2018 and ongoing credit impairment, which now includes the liquidation portfolio, lower than the equivalent period in 2018. We continue to manage our portfolios to ensure that they remain diversified in terms of sectors, products, and geographies. Our strong capital position has allowed us to grow our risk-weighted assets (RWAs) in a controlled manner through growth in assets while also buying back shares. Our liquidity metrics also remain at healthy levels.

2019 has seen considerable global uncertainty, with US-China trade tensions and other geopolitical issues forcing all companies to assess the way they do business. Setting up our new German subsidiary has allowed us to alleviate some of the risks related to Brexit, while continuing to serve clients. We have also strengthened our focus on global environmental concerns, while increasing our support to areas that promote a sustainable future. Sustainability is one of the key items on our agenda, and we recognise that we have an important role to play in promoting economic and social development in a sustainable manner.

More information about the Group's sustainability philosophy can be found at sc.com/en/sustainability/philosophy

Our key risk priorities

We are ensuring the best use of our people and resources to strengthen and fully optimise the way risk is managed within the Group. We recognise the need to evolve to stay relevant in the markets in which we operate, and as such we need to strive to enhance our capabilities in a number of areas. Below are our key priorities for 2019:

Strengthen the Group's risk culture

Embedding a healthy risk culture continues to be a core objective across all areas of the Group. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action to address all existing and emerging risks. Our Enterprise Risk Management Framework (ERMF) sets out the guiding principles for our people, enabling us to have integrated and holistic risk conversations across the Group. By continuing to ensure that the right risk behaviours are ingrained across the Group, we can focus on the Risk function's refreshed purpose of increasing prosperity by taking the right risks.

Enhance information and cyber security

We continue to invest in our security capabilities to ensure that Information and Cyber Security Risk management is embedded in each stage of the client journey. During 2019, a new Group information and cyber security strategy has been developed to align with the Group's overall corporate strategy and drive cohesion across the Group on managing Information and Cyber Security Risk. It is a three-year forward-looking plan that complements the Group's innovation agenda and commitment to client service, while recognising a rapidly evolving cyber threat landscape. The Group has progressed initiatives to strengthen information and cyber security foundations, embed robust governance, executive engagement, and improve business accountability to drive a culture of security excellence.

Managing climate risk

We consider climate change as one of the greatest challenges facing the world today, given its widespread and proven impacts on the physical environment, human health and its potential to adversely impact economic growth. Climate-related risks have been designated as a principal uncertainty for the Group since 2017. We have established a central Climate Risk team within our Enterprise Risk Management function, which will develop a Climate Risk framework that sets out a consistent approach to identify, assess and manage climate risks across the Group, as well as addressing regulatory requirements. We are collaborating with external experts and various cross-industry forums to share and build a robust response to climate risks. We recognise that we can contribute towards the fight against climate change by supporting our clients in driving a low-carbon transition and building climate resilience or adaptive capabilities. We continue to increase our financing towards those aligned with the UN's Sustainable Development Goals. We are committed to measure, manage and ultimately reduce the emissions linked to our financing, and published a white paper in May 2019 detailing our progress and inviting clients, peer banks, regulators and others to join us in solving the identified challenges. We are dedicated to playing our part in driving an orderly transition to a low-carbon economy through identifying and managing the associated risks and opportunities in a robust manner.

More information about the Group's white paper can be found at sc.com/emissions

Manage financial crime risks

In the first half of 2019 we resolved the previously disclosed investigations by the US and UK authorities related to historical sanctions and financial crime controls, and we are focused on delivering on the remaining actions required of us under the settlement orders. We have a refreshed mission for financial crime compliance, which is "Partnering to lead in the fight against financial crime". The increased focus on partnering recognises that it is through partnerships with other financial institutions, regulators, law enforcement and NGOs that we can most effectively combat financial crime. To that end, in addition to cooperating with FIUs and other authorities around the globe we are participating in formal public-private information sharing partnerships in the UK, US, Hong Kong and Singapore, working with law enforcement, regulators, financial institutions and other stakeholders to better identify and report suspicious activity. We have refreshed our Fighting Financial Crime microsite, which acts as a source of information and thought leadership on financial crime compliance. Our Correspondent Banking Academies continue to advocate best practice and encourage financial inclusion by "de-risking through education", an initiative that has received particular recognition from the Financial Stability Board.

Strengthen our conduct environment

Conduct remains a key focus across the Group, and was elevated to a Principal Risk Type last year to help ensure that conduct considerations are central to decisions taken throughout the Group. The emphasis in 2019 is to further embed the framework at a more granular level across our countries, businesses and functions. The Conduct Risk Type Framework provides a robust and consistent approach to help ensure Conduct Risk identification, monitoring and management. A key part of our framework are Conduct Plans, for all of our countries, businesses and functions. These identify, document and develop action plans to mitigate Conduct Risks. Ownership of Conduct Plans is with the first line of defence, with review and challenge from Compliance. These Plans will play a significant part in helping us to uphold the highest standards of conduct, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct.

Enhance our compliance infrastructure

We have continued to deliver tangible progress on our multi-year programme to review and strengthen our existing structures and processes. In the first quarter of 2019 we installed a new solution for policy and document management, as part of a broader implementation of a strategic Governance, Risk & Compliance (GRC) solution. Through the remainder of the year, we will implement further GRC enhancements, including modules for issue management and compliance assurance automation. To enable faster business decision making, we have introduced an automated self-service information and advisory portal, which we will further expand by adding a mobile channel and machine-learning chatbot. We have integrated our Advisory Teams within Compliance and FCC to form a unified Conduct, Financial Crime and Compliance function (CFCC) Advisory team. This will reduce organisational complexity resulting in a greater client focus, reduced hierarchy and faster decision making. In turn, the integrated team will build stronger cross-knowledge of the Conduct, Financial Crime and Regulatory Compliance Risk types, delivering more holistic risk management to support the business as they take on greater first-line risk ownership.

Improve our efficiency and effectiveness

We have continued to invest in improvements to infrastructure, including exposure management, data quality and stress testing. We are successfully using agile delivery methods to enhance our Operational Risk management, workflow and reporting platforms. We have developed concepts from both internal innovation and collaboration with fintech partners to explore and implement opportunities with machine learning and artificial intelligence. We are further developing our data and analytics infrastructure to enhance the speed and quality of risk decision-making. Infrastructure improvements enable us to continue to streamline and simplify our processes, to serve clients better and drive internal efficiencies.

Our risk profile and performance

The Group's risk performance in the first six months of the year demonstrates our commitment to strong and sustainable growth, and the metrics detailed below indicate stable asset quality, strong capital metrics, and robust liquidity and funding profiles. While no new areas of stress have emerged, we remain vigilant in light of continued geopolitical uncertainty.

We continue to focus on lending to high-quality counterparties within our defined risk appetite, adding new clients selectively. Through our focus on quality origination, we have strengthened our risk profile significantly over the past three years, ensuring that it is well positioned for any potential changes in the economic environment. The Group's client exposures remain predominantly short tenor, and our portfolios remain well diversified across client segments, geographies and industry sectors. There was an increase in the net exposure to our top 20 corporate clients as a percentage of Tier 1 capital (H1 2019: 62 per cent; H2 2018: 55 per cent), primarily in short-dated exposure to investment grade clients. We continue to focus on early identification of emerging risks across all of our portfolios so that we can manage any areas of weakness on a proactive basis. We also perform regular reviews and stress tests of our portfolio to help mitigate any risks that might arise.

The Group's credit impairment has seen sustained improvements over the past three years, with the Group total at $254 million for the first half of 2019, representing a loan loss rate of 17 basis points of average customer loans and advances. This was a 13 per cent reduction compared with the first six months of 2018 (H1 2018: $293 million[1]). Corporate & Institutional Banking credit impairment was lower than the previous six months, but higher than in the first half of 2018 due to lower recoveries, and lower net releases in stage 1 and 2 impairments. The Commercial Banking segment has experienced a significant reduction from the prior year due to lower stage 3 provisions and recoveries observed in the period. The increase in the Retail Banking credit impairment is due to non-recurring releases in the unsecured portfolio and the restructured portfolio in Korea in the first half of 2018; excluding these, the underlying impairment remains comparable. Private Banking is lower due to a net provision release of $47 million in 2019.

Credit impairment

	6 months ended 30.06.19 $million[1]	6 months ended 31.12.18 $million	6 months ended 30.06.18 $million
Corporate & Institutional Banking	**110**	161	81
Commercial Banking	**35**	138	106
Retail Banking	**154**	148	119
Private Banking	**(47)**	(1)	1
Central & others	**2**	1	(14)
Total credit impairment charge	**254**	447	293
Restructuring charge	**–**	(8)	(79)

1 In 2019 the Liquidation portfolio has been included in Ongoing business. Prior periods have not been restated

The credit quality of the corporate portfolio has remained stable, with improvement across a number of metrics. Credit grade 12 balances are slightly lower compared with year end at $1.4 billion, although this is 40 per cent higher than the first half of 2018. This increase is primarily due to a material upgrade from stage 3 in India, and inflows that were recorded in the last quarter of 2018 for Commercial Banking. We have observed a continued decrease in net exposure on early alert, down from $4.8 billion to $4.1 billion in the first six months of the year, mainly due to reductions in counterparty exposure and accounts being regularised. While the percentage of investment grade clients in our corporate net exposure has decreased to 57 per cent from 62 per cent in the first half of 2019, this is primarily driven by a reduction in repurchase agreements with clearing brokers, which are volatile in nature. Excluding the impact of repurchase agreements, the investment grade net exposure remains stable at 52 per cent (31 December 2018: 51 per cent).

The Group is now reporting the liquidation portfolio as part of its underlying business. Gross credit-impaired (stage 3) loans have decreased to $6.2 billion (31 December 2018: $6.9 billion). The majority of the reduction occurred in Corporate & Institutional Banking, which decreased by $0.5 billion, mainly due to write-offs and write-downs of well or fully-provided material accounts in the Africa & Middle East region. Both Corporate & Institutional Banking and Commercial Banking saw a lower level of stage 3 inflows. Stage 3 loans in Retail Banking and Private Banking remained stable in the year to date at $0.8 billion and $0.2 billion respectively.

Stage 3 cover ratio before collateral, of the total book, increased slightly to 60 per cent in the first half of 2019 (31 December 2018: 59 per cent), and including collateral remained stable at 81 per cent.

The Group maintains a strong liquidity position with healthy buffers above its risk appetite and minimum regulatory requirements. The liquidity coverage ratio decreased to 139 per cent from 154 per cent at the end of 2018, driven by period-end inflows and a shift in liability mix that led to higher outflows, and a smaller increase in high-quality liquid assets. Loans and deposits grew, with our advances-to-deposits ratio remaining broadly unchanged at 64 per cent (H2 2018: 63 per cent). We remain a net provider of liquidity to the interbank markets and our customer deposit base is diversified by type and maturity. We have a substantial portfolio of marketable securities which can be realised in the event of a liquidity stress.

Our Common Equity Tier 1 ratio of 13.5 per cent is in the middle of the Group's 13-14 per cent range, and is 72 basis points lower in the first half of 2019 primarily due to the share buyback, regulatory provisions and tax in relation to corporate entity restructuring. Group RWA increased $12.4 billion driven by underlying asset growth, partially offset by RWA efficiencies.

Average Group value at risk (VaR) in the first half of 2019 was 36 per cent higher than the previous six months, and 38 per cent higher than the equivalent period in 2018, at $28.2 million (H2 2018: $20.8 million; H1 2018: $20.4 million), primarily driven by an increase in non-trading book VaR, which has seen an increase in the Treasury Markets bond inventory, as well as reduced portfolio diversification. Trading activities remain primarily client driven.

Further details of the risk performance for the first six months of 2019 are set out in the Risk profile section

Key indicators

	30.06.19 $million	31.12.18 $million	30.06.18 $million
Group total business[1]			
Stage 1 loans ($ billion)	**245.7**	237.1	235.1
Stage 2 loans ($ billion)	**16.1**	17.4	21.8
Stage 3 loans ($ billion)	**6.2**	6.9	7.7
Stage 3 cover ratio	**60%**	59%	57%
Stage 3 cover ratio (including collateral)	**81%**	81%	79%
Corporate & Institutional Banking and Commercial Banking			
Investment grade corporate exposures as a percentage of total corporate exposures	**57%**	62%	61%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers	**61%**[2]	60%[2]	71%
Early alert portfolio ($ billion)	**4.1**	4.8	6.9
Credit grade 12 ($ billion)	**1.4**	1.5	1.0
Aggregate top 20 corporate exposures as a percentage of Tier 1 capital	**62%**	55%	53%
Collateralisation of sub-investment grade exposures maturing in more than 1 year	**47%**	51%	55%
Retail Banking			
Loan-to-value ratio of retail mortgages	**44%**	45%	45%

1 These numbers represents total loans and advances to customers
2 Excludes fair value through profit or loss (including fair value through profit or loss: 30.06.19: 69 per cent; 31.12.18: 70 per cent)

Our risk management approach

We have continued to build out the ERMF, allowing the Group to identify and manage risks holistically, as well as strengthening the Group's capabilities to understand, articulate and control the nature and level of risks we take while still effectively serving our clients.

Since the launch of the ERMF in 2018, awareness of the framework has increased significantly and we have made good progress in delivering our strategic initiatives to embed the ERMF across the organisation. An ERMF Effectiveness Review was carried out last year, following which we identified key initiatives to address areas of improvement in the management of the 10 principal risks. We are closely monitoring implementation progress across these deliverables for the Group.

The ERMF, which sets out a refreshed risk culture and sharper delineation of responsibilities across the three lines of defence, is being adopted in the branches and subsidiaries. To facilitate this, we have rolled out a country self-assessment process to evaluate how the ERMF and Risk Type Frameworks are embedded locally. Over the course of the year the Group aims to further strengthen its risk management practices across the markets in which we operate, with stronger links between the three lines of defence and greater first-line risk ownership.

Principal risks

Principal risks are those risks that are inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and control of these risks through the Board-approved Risk Appetite. The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's principal risks and how these are managed. The Group's principal risks have not changed since the time of publication of our 2018 Annual Report and further details on these can be found in our 2018 Annual Report.

Principal Risk Types	How these are managed
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors
Country Risk[1]	The Group manages its country cross-border exposures following the principle of diversification across geographies and controls business activities in line with the level of jurisdiction risk
Traded Risk	The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group's franchise
Capital and Liquidity Risk	The Group should maintain a strong capital position, including the maintenance of management buffers sufficient to support its strategic aims, and hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support
Operational Risk	The Group aims to control Operational 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
Reputational 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
Compliance Risk	The Group has no appetite for breaches in laws and regulations, while recognising that regulatory non-compliance cannot be entirely avoided, the Group strives to reduce this to an absolute minimum
Conduct Risk	The Group has no appetite for negative Conduct Risk outcomes arising from negligent or wilful actions by the Group or individuals, recognising that while incidents are unwanted, they cannot be entirely avoided
Information and Cyber Security Risk	The Group seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the bank
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided

1 Effective from July 2019, the Country Risk Type Framework has been updated to expand our risk coverage from the existing Country Cross Border Risk to Gross Country Risk, which encompasses Transfer and Convertibility Risk and Local Currency Risk. Further details will be provided in the 2019 Annual Report

Our principal uncertainties

Principal uncertainties refer to unpredictable and uncontrollable outcomes from certain events and circumstances which may have the potential to have a material impact on our business. As part of our continuous risk identification process, we have updated the Group's principal uncertainties from those disclosed in the 2018 Annual Report.

The table below summarises our current list of principal uncertainties, outlining the risk trend changes relative to 2018-year end, the reasons for the changes and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment of material risks that the Group faces as identified by senior management. This list is not designed to be exhaustive and there may be additional risks which materialise or have an adverse effect on the Group. Our mitigation approach for these risks may not be successful in completely eliminating them, but rather shows the Group's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate incremental steps based on the materiality of the impact of the risk to the operations of the Group.

Principal uncertainties	Risk trend since December 2018[1]	Key risk trend drivers	How these are mitigated
Geopolitical events, in particular: extended trade tensions driven by geopolitical and trade concerns, unrest in Hong Kong, Middle East geopolitical tensions, and post-Brexit implications	⇧	There are increasing concerns on global geopolitical and trade implications following the deterioration of relations between the US and China. Recent political protests have additionally elevated the risk in Hong Kong. The risk in the Middle East has elevated due to concerns about Iran while political events in the UK have increased the risk of disorderly Brexit	• We monitor and assess geopolitical events and act as appropriate to ensure we minimise the impact to the Group and our clients • We conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible geopolitical events
Macroeconomic conditions, in particular: moderation of growth in key footprint markets led by China and political volatility. Sharp interest rate changes, and foreign currency volatility in both emerging and developed markets	⇔	The risk remains at similar levels as at the end of 2018	• We monitor economic trends and conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible events • We monitor on a centralised basis contractual and behavioural Interest Rate Risk exposures, and manage these within a clearly defined risk management framework and risk appetite

Climate related physical risks and transition risks[2]	⇔	The risk remains at similar levels as at the end of 2018	• We are developing a climate risk framework to deliver a consistent group-wide approach to climate risk management. We are also a member of the Risk Management Working Group under the Bank of England's Climate Financial Risk Forum • We have reduced our risk appetite to carbon-intensive sectors by introducing technical standards for coal-fired power plants, and restrictions on new coal mining clients and projects. In September 2018, we announced that we would no longer provide financing for new coal-fired power plants anywhere in the world. In February 2019, we communicated that we would no longer trade coal-based derivative products • We achieved, two years ahead of schedule, our public target to fund and facilitate $4 billion toward clean technology between 2016 and 2020
Regulatory reviews and investigations, legal proceedings	⇩	Following settlement with the US and UK authorities on long-standing financial crime-related matters, this risk has now decreased	• We have invested in enhancing systems and controls, and implemented remediation programmes (where relevant) • We continue to train and educate our people on conduct, conflicts of interest, information security and financial crime compliance in order to reduce our exposure to legal and regulatory proceedings
Regulatory changes	⇔	The risk remains at similar levels as at the end of 2018	• We actively monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model • We have established relevant project management programmes to review and improve end-to-end processes in terms of oversight and accountability, transparency, permission and controls, legal entry level limits and training
New technologies and digitisation, including Business Disruption Risk, responsible use of artificial intelligence and Obsolescence Risk	⇧	New technologies are becoming more sophisticated and further embedded in the banking sector. Regulators are placing increasing emphasis on resilience. Our business model is placing increasing reliance on third-party suppliers	• We monitor emerging trends, opportunities and risk developments in the technology space which may have implications on the banking sector • We are engaged in building our capabilities to ensure we remain relevant and are able to capitalise rapidly on technology trends • We continue to make headway in harnessing new technologies, and we are investing in machine-learning solutions that rapidly analyse large datasets and fine-tune the accuracy of our financial crime tools • We are actively targeting the reduction of obsolescent/end-of-support technology following a technology and innovation-led approach
Increased data privacy and security risks from strategic and wider use of data	⇧	Recent penalties on firms who have suffered data losses or breaches demonstrates the increasing risk	• We have existing governance and control frameworks for the deployment of new technologies • We have designed a programme to manage the risks posed by rapidly evolving cyber security threats • We maintain a vigilant watch on legal and regulatory developments in relation to data protection to identify any potential impact to the business

1 The risk trend refers to the overall risk score trend which is a combination of potential impact, likelihood and velocity of change
2 Physical risks refer to the risk of increasingly extreme weather events while transition risks refer to the risk of changes to market dynamics due to governments' response to climate change

Standard Chartered - Group Chief Risk Officer's review

Summary

We want to be at the forefront of building a sustainable, resilient finance industry with a risk culture that champions social and economic development across our global footprint. We have laid the foundations, and now seek to create an innovative Risk and Conduct, Financial Crime and Compliance function that fully harnesses our competitive advantages. By being cognisant of both our strengths and areas where we can do better, we can ensure that the progress we make is enduring and consistent with our brand promise to be Here for good.

Mark Smith
Group Chief Risk Officer

1 August 2019

Supplementary financial information

1. Analysis of underlying performance by key market

The following tables provide information for key markets in which the Group operates. The numbers are prepared on a management view. Refer to the notes to the financial statements in the Half Year Report for details.

	6 months ended 30.06.19							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Operating income	1,854	505	445	871	502	327	330	365
Operating expenses	(938)	(390)	(323)	(484)	(328)	(210)	(342)	(296)
Operating profit/(loss) before impairment losses and taxation	916	115	122	387	174	117	(12)	69
Credit impairment	(36)	7	(43)	(7)	(41)	(26)	(15)	(50)
Other impairment	(8)	–	–	–	–	–	–	–
Profit from associates and joint ventures	–	–	153	–	–	–	–	–
Underlying profit/(loss) before taxation	872	122	232	380	133	91	(27)	19
Total assets employed	158,434	50,832	31,702	84,532	31,036	20,934	150,284	53,320
Of which: loans and advances to customers including FVTPL	73,924	32,059	15,725	46,953	16,154	10,673	41,903	15,008
Total liabilities employed	142,036	44,965	27,523	83,526	21,188	14,467	154,052	53,447
Of which: customer accounts	118,556	36,132	20,513	63,702	15,808	10,702	86,514	26,335

	6 months ended 31.12.18							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Operating income	1,903	475	399	702	467	280	378	334
Operating expenses	(983)	(393)	(342)	(497)	(333)	(220)	(341)	(300)
Operating profit before impairment losses and taxation	920	82	57	205	134	60	37	34
Credit impairment	(42)	2	(21)	(59)	(101)	(140)	(6)	(7)
Other impairment	(64)	(4)	–	10	1	–	(7)	–
Profit from associates and joint ventures	–	–	49	–	–	–	–	–
Underlying profit/(loss) before taxation	814	80	85	156	34	(80)	24	27
Total assets employed	153,372	51,306	30,272	81,882	29,886	19,847	136,967	48,706
Of which: loans and advances to customers including FVTPL	71,971	33,435	12,894	46,342	16,567	10,749	41,248	13,464
Total liabilities employed	139,332	45,347	27,158	80,200	20,554	13,679	148,041	42,301
Of which: customer accounts	116,999	36,894	21,801	58,415	16,306	10,517	93,096	16,218

	6 months ended 30.06.18							
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	UAE $million	UK $million	US $million
Operating income	1,849	534	422	845	482	357	441	333
Operating expenses	(961)	(404)	(333)	(512)	(344)	(233)	(330)	(321)
Operating profit before impairment losses and taxation	888	130	89	333	138	124	111	12
Credit impairment	(15)	(3)	(9)	(56)	(29)	(56)	(45)	(29)
Other impairment	(45)	5	–	(10)	(2)	–	24	–
Profit from associates and joint ventures	–	–	156	–	–	–	–	–
Underlying profit/(loss) before taxation	828	132	236	267	107	68	90	(17)
Total assets employed	153,021	52,536	31,639	83,211	27,370	18,477	140,227	52,578
Of which: loans and advances to customers including FVTPL	73,390	33,289	13,959	46,022	15,958	11,100	37,828	11,173
Total liabilities employed	135,252	46,942	28,693	82,305	18,049	14,373	154,925	45,610
Of which: customer accounts	112,948	38,029	21,492	59,619	14,397	11,890	94,960	18,190

2. Analysis of underlying performance by Retail Banking and Commercial Banking segments

Retail Banking

	6 months ended 30.06.19				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	1,520	707	349	19	2,595
Operating expenses	(979)	(531)	(301)	(12)	(1,823)
Operating profit before impairment losses and taxation	541	176	48	7	772
Credit impairment	(65)	(63)	(26)	–	(154)
Underlying profit before taxation	476	113	22	7	618
Restructuring	–	(1)	–	–	(1)
Statutory profit before taxation	476	112	22	7	617
Loans and advances to customers including FVTPL	67,192	28,103	5,371	529	101,195
Customer accounts	95,598	34,152	8,440	1,066	139,256

	6 months ended 31.12.18				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	1,401	640	361	19	2,421
Operating expenses	(987)	(524)	(330)	(11)	(1,852)
Operating profit before impairment losses and taxation	414	116	31	8	569
Credit impairment	(41)	(70)	(37)	–	(148)
Other impairment	(5)	–	–	–	(5)
Underlying profit/(loss) before taxation	368	46	(6)	8	416
Restructuring	(17)	(17)	(30)	–	(64)
Statutory profit/(loss) before taxation	351	29	(36)	8	352
Loans and advances to customers including FVTPL	67,718	27,812	5,595	510	101,635
Customer accounts	95,086	32,120	8,433	1,052	136,691

	6 months ended 30.06.18				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	1,485	712	404	19	2,620
Operating expenses	(972)	(559)	(338)	(15)	(1,884)
Operating profit before impairment losses and taxation	513	153	66	4	736
Credit impairment	(31)	(65)	(23)	–	(119)
Underlying profit before taxation	482	88	43	4	617
Restructuring	(1)	(3)	–	–	(4)
Statutory profit before taxation	481	85	43	4	613
Loans and advances to customers including FVTPL	66,897	28,128	5,973	532	101,530
Customer accounts	90,840	31,292	8,987	1,135	132,254

Commercial Banking

	6 months ended 30.06.19			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	301	278	167	746
Operating expenses	(177)	(143)	(105)	(425)
Operating profit before impairment losses and taxation	124	135	62	321
Credit impairment	(9)	(13)	(13)	(35)
Underlying profit before taxation	115	122	49	286
Statutory profit before taxation	115	122	49	286
Loans and advances to customers including FVTPL	14,051	9,255	4,923	28,229
Customer accounts	19,018	9,694	3,164	31,876

	6 months ended 31.12.18			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	289	260	136	685
Operating expenses	(191)	(170)	(102)	(463)
Operating profit before impairment losses and taxation	98	90	34	222
Credit impairment	(6)	(48)	(84)	(138)
Underlying profit/(loss) before taxation	92	42	(50)	84
Restructuring	(6)	(3)	(2)	(11)
Statutory profit/(loss) before taxation	86	39	(52)	73
Loans and advances to customers including FVTPL	13,926	9,118	4,227	27,271
Customer accounts	22,011	9,720	3,129	34,860

	6 months ended 30.06.18			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	295	263	148	706
Operating expenses	(198)	(160)	(102)	(460)
Operating profit before impairment losses and taxation	97	103	46	246
Credit impairment	(17)	(25)	(64)	(106)
Underlying profit/(loss) before taxation	80	78	(18)	140
Restructuring	(1)	–	–	(1)
Statutory profit/(loss) before taxation	79	78	(18)	139
Loans and advances to customers including FVTPL	14,628	9,281	4,662	28,571
Customer accounts	20,496	9,282	2,918	32,696

3. Average balance sheets and yields

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 30 June 2019, 31 December 2018 and 30 June 2018. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

Average assets

	6 months ended 30.06.19			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Cash and balances at central banks	18,068	30,318	189	1.26
Gross loans and advances to banks	2,306	84,011	1,356	3.25
Gross loans and advances to customers	–	318,653	5,851	3.70
Impairment provisions against loans and advances to banks and customers	–	(5,030)	–	–
Investment securities	2,794	156,817	2,447	3.15
Property, plant and equipment and intangible assets	10,945	–	–	–
Prepayments, accrued income and other assets	79,040	–	–	–
Investment associates and joint ventures	2,547	–	–	–
Total average assets	115,700	584,769	9,843	3.39

	6 months ended 31.12.18			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Cash and balances at central banks	21,126	32,238	193	1.19
Gross loans and advances to banks	(109)	86,389	1,210	2.78
Gross loans and advances to customers	–	302,311	5,527	3.63
Impairment provisions against loans and advances to banks and customers	–	(5,384)	–	–
Investment securities	2,456	146,438	2,107	2.85
Property, plant and equipment and intangible assets	10,825	–	–	–
Prepayments, accrued income and other assets	74,894	–	–	–
Investment associates and joint ventures	2,439	–	–	–
Total average assets	111,631	561,992	9,037	3.19

	6 months ended 30.06.18			
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %
Cash and balances at central banks	28,382	33,230	171	1.04
Gross loans and advances to banks	2,809	85,661	1,083	2.55
Gross loans and advances to customers	–	301,476	5,091	3.41
Impairment provisions against loans and advances to banks and customers	–	(6,023)	–	–
Investment securities	2,625	139,870	1,882	2.71
Property, plant and equipment and intangible assets	10,492	–	–	–
Prepayments, accrued income and other assets	82,047	–	–	–
Investment associates and joint ventures	2,477	–	–	–
Total average assets	128,832	554,214	8,227	2.99

Average liabilities

	6 months ended 30.06.19			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Deposits by banks	6,027	39,264	613	3.15
Customer accounts:				
Current accounts and savings deposits	38,489	179,706	989	1.11
Time and other deposits	8,390	217,373	2,625	2.44
Debt securities in issue	–	57,510	608	2.13
Accruals, deferred income and other liabilities	87,681	4	–	–
Subordinated liabilities and other borrowed funds	–	14,877	390	5.29
Non-controlling interests	9	–	–	–
Shareholders' funds	50,054	–	–	–
Total average liabilities and shareholders' funds	190,650	508,734	5,225	2.07
Net yield				1.32
Net interest margin				1.59

	6 months ended 31.12.18			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Deposits by banks	5,899	33,529	372	2.20
Customer accounts:				
Current accounts and savings deposits	37,585	174,397	940	1.07
Time and other deposits	9,309	205,271	2,230	2.16
Debt securities in issue	(26)	53,488	682	2.53
Accruals, deferred income and other liabilities	98,040	–	–	–
Subordinated liabilities and other borrowed funds	–	14,922	381	5.06
Non-controlling interests	22	–	–	–
Shareholders' funds	49,711	–	–	–
Total average liabilities and shareholders' funds	200,540	481,608	4,605	1.90
Net yield				1.29
Net interest margin				1.56

	6 months ended 30.06.18			
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %
Deposits by banks	6,748	35,481	439	2.50
Customer accounts:				
Current accounts and savings deposits	40,255	182,578	727	0.80
Time and other deposits	8,000	197,362	1,867	1.91
Debt securities in issue	301	54,496	447	1.65
Accruals, deferred income and other liabilities	92,341	–	–	–
Subordinated liabilities and other borrowed funds	–	16,652	386	4.67
Non-controlling interests	74	–	–	–
Shareholders' funds	50,779	–	–	–
Total average liabilities and shareholders' funds	198,498	486,569	3,866	1.60
Net yield				1.39
Net interest margin				1.59

Dividend and interest payment dates

2019 interim dividend	
Ex-dividend date	8 August 2019 (UK), 7 August 2019 (HK)
Record date for dividend	9 August 2019
Dividend payment date	21 October 2019

2019 final dividend	(provisional only)
Results and dividend announcement date	27 February 2020

Preference shares	Next half-yearly dividend
7 3/8 per cent Non-cumulative irredeemable preference shares of £1 each	1 October 2019
8 ¼ per cent Non-cumulative irredeemable preference shares of £1 each	1 October 2019
6.409 per cent Non-cumulative preference shares of $5 each	30 July 2019, 30 October 2019
7.014 per cent Non-cumulative preference shares of $5 each	30 July 2019

Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 Rights Issues)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 2006	11 October 2006	20.83c/11.14409p/HK$1.622699	£13.2360/$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK$3.926106	£14.2140/$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK$1.794713	£15.2560/$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK$0.86293/INR0.653643340[1]	£7.7600/$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK$0.46978/INR0.3696175[1]	£6.7104/$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK$1.176260/INR0.957691650[1]	N/A

1 The INR dividend is per Indian Depository Receipt

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account, and allows you to hold your Standard Chartered shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare you will still be invited to attend the Company's AGM and you will still receive your dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information please contact the shareholder helpline on 0370 702 0138.

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. Further information can be obtained from the Company's Registrars or from ShareGift on 020 7930 3737 or from sharegift.org. There is no implication for Capital Gains Tax (no gain no loss) when you donate shares to charity and UK tax payers may be able to claim income tax relief on the value of their donation.

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at investorcentre.co.uk or contact our registrar for a mandate form.

Registrars and shareholder enquiries

The Company's ordinary shares are listed on the Official List and traded on the London Stock Exchange. The Company's ordinary shares are also listed on The Stock Exchange of Hong Kong Limited, and through Indian Depository Receipts on the Bombay Stock Exchange and National Stock Exchange of India.

If you have any enquiries relating to your shareholding and you hold your shares on the United Kingdom register, please contact our registrar Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, or contact the shareholder helpline on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. You can check your shareholding at: computershare.com/hk/investors.

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Fintech Private Limited, Karvy Selenium, Tower B, Plot 31-32, Financial District, Nanakramguda, Hyderabad 500032, India.

Chinese translation

If you would like a Chinese version of this Half Year Report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. 本半年報告之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后 大道東183號合和中心17M樓。Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare. If there is a dispute between any translation and the English version of this Half-Year Report, the English text shall prevail.

Taxation

Information on taxation applying to dividends paid to you if you are a shareholder in the United Kingdom, Hong Kong and the United States will be sent to you with your dividend documents.

Forward-looking statements

This document may contain 'forward-looking statements' that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning. By their very nature, such statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future.

No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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