STANDARD CHARTERED PLC
渣打集團有限公司

(Incorporated as a public limited company in England and Wales with limited liability)
(Registered Number: 966425)
(Stock Code: 02888)

Results for the First Half and Second Quarter ended 30 June 2021 – Part 1

Performance Highlights

All figures are presented on an underlying basis and comparisons are made to 2020 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items excluded from underlying results is set out on pages 29 to 33.

Bill Winters, Group Chief Executive, said:

"I am encouraged by our positive performance in the first half of 2021 despite an uneven recovery from Covid-19. We grew profit before tax 37% year on year, helped by improved loan impairments, strong underlying business momentum and good progress across our strategic priorities. We are more confident in achieving our return on tangible equity targets and we are pleased to announce today an additional share buy-back programme together with the resumption of our interim dividend payment."

Update on strategic priorities

- Primary performance measure **return on tangible equity improved 330 basis points to 9.3%**
- **Good progress on strategic priorities**
  – In our Corporate, Commercial & Institutional Banking (CCIB) **Network** business, we have launched new digital capabilities across 46 markets and have increased the proportion of digital transactions by 7%pts
  – We are leading with many global firsts in **Sustainable** Finance (SF) product innovation and have grown SF income by 55% in 1H'21 vs 1H'20
  – Income from our **Affluent** client business is up 4% and we have increased assets under management by $10bn in 2021
  – In **Mass Retail** we continue to grow the levels of sales executed digitally, now at 71% and digital adoption rates by our clients are accelerating, up 6%pts to 62%

Selected information concerning financial performance (1H'21 unless otherwise stated)

- **Income** 5% lower at $7.6bn, down 6% at constant currency (ccy) and excluding a $105m reduction in debit valuation adjustment
  – Record first half performance in Wealth Management up 23% (2Q'21 up 26%)
  – Transaction Banking Trade income up 16%, strongest half since 2018
  – Offset by interest rate headwinds and a return to more neutral market sentiment
  – Net interest margin (NIM) in 2Q'21 of 1.22%, flat to 1Q'21, supported by a 5bps or $73m IFRS9 interest income adjustment; 1H'21 down 18bps from 1H'20
- **Expenses** increased 8% to $5.1bn, up 4% at ccy
  – Primarily the impact of normalisation of performance-related pay and investment in transformational digital initiatives
- **Credit impairment** $47m net release down $1,614m YoY; 2Q'21 net release of $67m down $87m QoQ
  – Stage 1 and 2: $105m net release, includes $51m overlay release. Total Stage 1 and 2 overlay now $301m
  – Stage 3: $58m down $841m YoY with no significant new impairments on exposures in 1H'21; 2Q'21 $3m down $52m QoQ
  – High-risk assets: reduced for the fourth consecutive quarter in 2Q'21, down $1bn in the quarter and down almost $5bn YoY
- **Underlying profit before tax** up 37% to $2.7bn; statutory profit before tax up 57% to $2.6bn
- **Tax charge of $631m**: underlying effective tax rate of 24.1%, down 5%pts
- **Earnings per share** increased 22.4 cents or 62% to 58.3 cents
- The Group's **balance sheet** continues to grow and remains strong, liquid and well diversified
  – Customer loans and advances up 2% or $6bn since 31.03.21 and up 6% since 31.12.20
  – Advances-to-deposit ratio 64.0% (31.03.21: 62.7%); liquidity coverage ratio 146% (31.03.21: 150%)
- **Risk-weighted assets (RWA)** of $280bn up 4% or $11bn since 31.12.20
  – $9bn credit RWA growth: asset growth and credit migration partially offset by FX. Market risk RWA up $2bn
- The Group remains strongly capitalised
  – **Common equity tier 1 (CET1) ratio** 14.1%, above the 13-14% target range (31.03.21: 14.0%); includes 31 bps software relief being removed from 01.01.2022
  – Resumption of interim 2021 ordinary dividend of $94m or 3c per share
  – $250m share buy-back starting imminently is expected to reduce the CET1 ratio by 9bps in 3Q'21

Outlook

- The recovery from the COVID-19 pandemic is uneven and volatile, though encouragingly the trends we see as we exit the quarter are more positive in our bigger markets. Against this backdrop we expect:
- With the current level of normalised NIM and strong customer demand likely to continue in 2H'21, we still expect FY'21 income to be similar to that achieved in FY'20 on a constant currency basis and to return to our medium-term guidance of 5-7% growth from FY'22
- We still expect expenses to remain below $10bn in FY'21 excluding the impact of currency translation, though they may increase slightly driven by performance-related pay
- Excluding the impact of any unforeseeable events we expect credit impairment to remain low for the remainder of the year
- We intend to operate dynamically within the full CET1 13-14% target range with an eye to the opportunities for growth, as well as credit and economic conditions and the strength of our earnings, as we continue our focus on safely improving our overall return on capital

Statement of results

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million	Change[1] %
Underlying performance			
Operating income	**7,618**	8,047	(5)
Operating expenses	**(5,092)**	(4,713)	(8)
Credit impairment	**47**	(1,567)	103
Other impairment	**(25)**	112	(122)
Profit from associates and joint ventures	**134**	76	76
Profit before taxation	**2,682**	1,955	37
Profit attributable to ordinary shareholders[2]	**1,826**	1,138	60
Return on ordinary shareholders' tangible equity (%)	**9.3**	6.0	330bps
Cost-to-income ratio (%)	**66.8**	58.6	(820)bps
Statutory performance			
Operating income	**7,628**	8,099	(6)
Operating expenses	**(5,221)**	(4,748)	(10)
Credit impairment	**51**	(1,576)	103
Goodwill impairment	**–**	(258)	100
Other impairment	**(40)**	35	(214)
Profit from associates and joint ventures	**141**	75	88
Profit before taxation	**2,559**	1,627	57
Taxation	**(631)**	(561)	(12)
Profit for the period	**1,928**	1,066	81
Profit attributable to parent company shareholders	**1,914**	1,048	83
Profit attributable to ordinary shareholders[2]	**1,718**	816	111
Return on ordinary shareholders' tangible equity (%)	**8.7**	4.3	440bps
Cost-to-income ratio (%)	**68.4**	58.6	(980)bps
Net Interest Margin (%) (adjusted)	**1.22**	1.40	(18)bps

	30.06.21 $million	31.12.20 $million	Change[1] %
Balance sheet and capital			
Total assets	**795,910**	789,050	1
Total equity	**52,857**	50,729	4
Average tangible equity attributable to ordinary shareholders[2]	**39,650**	38,590	3
Loans and advances to customers	**298,003**	281,699	6
Customer accounts	**441,147**	439,339	-
Risk weighted assets	**280,227**	268,834	4
Total capital	**59,161**	57,048	4
Total capital ratio (%)	**21.1**	21.2	(10)bps
Common Equity Tier 1	**39,589**	38,779	2
Common Equity Tier 1 ratio (%)	**14.1**	14.4	(30)bps
Advances-to-deposits ratio (%)[3]	**64.0**	61.1	2.9
Liquidity coverage ratio (%)	**146**	143	3
UK leverage ratio (%)	**5.2**	5.2	-
Information per ordinary share	Cents	Cents	Change[1]
Earnings per share – underlying[4]	**58.3**	35.9	22.4
– statutory[4]	**54.8**	25.8	29.0
Net asset value per share[5]	**1,451**	1,409	42
Tangible net asset value per share[5]	**1,285**	1,249	36
Number of ordinary shares at period end (millions)	**3,119**	3,150	(1)

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

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

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

4 Represents the underlying or statutory earnings divided by the basic weighted average number of shares. Prior period refers to 6 months ended 30.06.20

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

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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, forward-looking 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.

Please refer to the Group’s 2020 Annual Report and this Half-Year Report for a discussion of certain risks and 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.

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

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

The information within this report is unaudited.

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

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

Standard Chartered PLC is incorporated in England and Wales with limited liability. Standard Chartered PLC is headquartered in London. The Group’s head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock codes are: HKSE 02888 and LSE STAN.LN.

Group Chief Executive's review

Resilient performance against a challenging backdrop

Our first half of 2021 was one of recovery, albeit an uneven one. Lockdowns of various forms have come and been relaxed, affecting economic activity in many of our markets. International mobility remains severely restricted, although there is some easing recently. Across the major markets of our footprint, while containment has been effective in controlling the spread of COVID-19, the timeline to full economic recovery and social opening will be longer as country vaccination programmes vary, leading to lower confidence in some parts of Asia relative to the West at the moment.

Against such a varied backdrop I am pleased that we are continuing to operate effectively, supporting our customers and executing our strategy. As we fully expected, income is down year-on-year reflecting the drag caused by low interest rates which more than offset the strong progress we continue to make in businesses such as Wealth Management and Financial Markets. The first half loan impairment outcome reflects the work we have done over the last few years to ensure our portfolios are in good shape and resilient to stress. As a result of this risk discipline we have generated strong post-tax profit growth and retain a very strong capital base. We have a range of options as to how we deploy or return this capital.

As the worst of the interest rate headwinds are now behind us and with the prospect of continuing economic recovery, we go into the second half of the year with positive momentum, purpose and confidence.

Improving returns remains our top priority

We are more confident in achieving our return on tangible equity targets and in the first half of the year we have made good progress.

We have seen strong underlying business momentum across our footprint, particularly with a record first half in Wealth Management and Financial Markets performing well, despite trading conditions being tougher than we enjoyed in the early part of the year. Our loan books are performing very well, benefiting from the work done to reshape the portfolios and we expect the return to more normalised loan loss rates to come slower than originally anticipated. Our earnings momentum and strong asset portfolio give us confidence to be nimbler in managing capital.

We continue to be disciplined in how we deploy our capital and remain focused on delivering shareholder value.

Working our capital harder

Our priorities for deployment of surplus capital remain unchanged: first, support both organic and inorganic growth, then fund appropriate and sustainable dividends and finally return to shareholders through share buy-backs.

With the Group's common equity tier 1 capital ratio above the top end of our 13-14 per cent target range, we have decided to announce a new share buy-back and will shortly start purchasing and then cancelling up to $250 million worth of ordinary shares. Additionally, the Group will pay an interim dividend of $94 million equal to 3 cents per share. The Group will continue to actively manage its capital position and the actions announced today still leave capacity to fund stronger business growth or further buy-backs later in the year. We also expect to be able to increase the full-year dividend per share over time. As economic conditions improve we will manage CET1 within the 13-14 per cent range. Our actions today take us towards the middle of the range, after incorporating the proposed software accounting changes. We intend to operate dynamically within the full range with an eye to the opportunities for growth, as well as credit and economic conditions and the strength of our earnings, as we continue our focus on safely improving our overall return on capital..

Progressing on our strategic priorities

We set out four strategic priorities at the start of 2021; continue to grow both our Network and Affluent businesses, return to growth in Mass Retail and advance on all fronts of our Sustainability agenda. We are making progress in each.

Corporate, Commercial & Institutional Banking's network business has launched new digital capabilities across 46 markets and increased the proportion of digitally initiated transactions by 7 percentage points to 48 per cent.

In Consumer, Private and Business Banking, within the Affluent segment we have increased Assets Under Management by $10 billion or 4 per cent to $246 billion and this has helped drive a record performance in our Wealth Management business in the first half of the year.

In Mass Retail we are making good progress with our Mox virtual bank in Hong Kong, onboarding new and younger customers, growing balances and adding new functionality such as credit cards to the platform. We are now able to export the Mox platform to other markets and tailor it for use locally.

Income from Sustainable Finance has grown 55 per cent year on year and we launched a Sustainable Trade Finance framework bundling solutions for our clients involved with sustainable goods and services suppliers.

Taking a stand

We intend to accelerate our strategy by setting long-term ambitions that stretch our thinking and actions. So today we are sharing more detail about three areas where we will use our unique abilities to connect capital, people, ideas and best practices to help address the significant socio-economic challenges and opportunities of our time. These challenges are very real – whether it is existential risks from climate change, social division created by rising inequality, or threats to the international co-operation that maintains peace and social stability. COVID-19 has heightened the significance and urgency of these issues.

We believe it is possible to drive commerce and growth without leaving people behind, negatively impacting the planet or creating divisions that diminish our sense of community. Never has finance been more important in driving positive change where it matters most, and where the human toll is felt most: in our own business footprint.

We have defined three areas on which we will take a stand:

- Accelerating Zero – helping emerging markets in our footprint reduce carbon emissions as fast as possible, without slowing development, putting the world on a sustainable path to net zero by 2050
- Lifting Participation – unleashing the full potential of women and small businesses in our core markets to improve the lives of millions of people and their communities
- Resetting Globalisation – supporting hundreds of thousands of companies to improve working and environmental standards, giving more people the chance to participate in the world economy, so growth becomes fairer and more balanced

In each area we will be setting long-term goals, and delivering near-term change. Through Lifting Participation, it is our ambition over time to have a positive impact on the lives of 1 billion people. By reimagining globalisation we hope to benefit 500,000 companies, while our progress to net zero will be charted through a detailed roadmap. We will share more details of our goals, actions and progress in the coming months.

We are excited by the prospect of helping in our own way and with our business partners to drive positive progress in these areas. This is not philanthropy: we will act to drive scalable, sustainable commercial growth and you will see us increasingly active in these areas.

Concluding remarks

While progress is being made in tackling COVID-19, it seems set to remain an ongoing global challenge for the foreseeable future although we are starting to see a return to a semblance of normal life and a resurgence of economic activity in some markets now. We firmly believe that, as time progresses, global economic growth will again be primarily driven by the markets in our footprint.

We are encouraged by our financial results in the first half of this year, and the underlying business momentum, and are confident of a return to income growth in the second half. We believe that we will soon be back on the same performance trajectory that we were on before the pandemic set us back. As that happens, we are redoubling our efforts to execute our strategic priorities, deliver on our financial commitments and drive progress on the three areas we are taking a stand on.

Bill Winters
Group Chief Executive

3 August 2021

Group Chief Financial Officer's review

The Group delivered a resilient and encouraging performance in the first six months of 2021

Summary of financial performance

	1H'21 $million	1H'20 $million	Change %	Constant currency change[1] %	2Q'21 $million	2Q'20 $million	Change %	Constant currency change[1] %	1Q'21 $million	Change %	Constant currency change[1] %
Net interest income	3,375	3,502	(4)	(6)	1,713	1,660	3	–	1,662	3	4
Other income	4,243	4,545	(7)	(8)	1,976	2,060	(4)	(6)	2,267	(13)	(13)
Underlying operating income	7,618	8,047	(5)	(7)	3,689	3,720	(1)	(3)	3,929	(6)	(6)
Other operating expenses	(5,086)	(4,713)	(8)	(4)	(2,592)	(2,355)	(10)	(5)	(2,494)	(4)	(4)
UK bank levy	(6)	–	nm[3]	nm[3]	(6)	–	nm[3]	nm[3]	–	nm[3]	nm[3]
Underlying operating expenses	(5,092)	(4,713)	(8)	(4)	(2,598)	(2,355)	(10)	(5)	(2,494)	(4)	(4)
Underlying operating profit before impairment and taxation	2,526	3,334	(24)	(24)	1,091	1,365	(20)	(18)	1,435	(24)	(23)
Credit impairment	47	(1,567)	103	103	67	(611)	111	111	(20)	nm[3]	nm[3]
Other impairment	(25)	112	(122)	(123)	(9)	(42)	79	79	(16)	44	40
Profit from associates and joint ventures	134	76	76	76	87	21	nm[3]	nm[3]	47	85	89
Underlying profit before taxation	2,682	1,955	37	41	1,236	733	69	78	1,446	(15)	(14)
Restructuring	(123)	(90)	(37)	(37)	(90)	2	nm[3]	nm[3]	(33)	(173)	(181)
Goodwill impairment	–	(258)	100	100	–	–	nm[3]	nm[3]	–	nm[3]	nm[3]
Other items	–	20	(100)	(100)	–	6	(100)	(100)	–	nm[3]	nm[3]
Statutory profit before taxation	2,559	1,627	57	62	1,146	741	55	63	1,413	(19)	(18)
Taxation	(631)	(561)	(12)	(11)	(317)	(192)	(65)	(58)	(314)	(1)	(2)
Profit for the period	1,928	1,066	81	91	829	549	51	65	1,099	(25)	(24)
Net interest margin (%)[2]	1.22	1.40	(18)		1.22	1.28	(6)		1.22	–	
Underlying return on tangible equity (%)[2]	9.3	6.0	330		7.8	3.5	430		10.8	(300)	
Underlying earnings per share (cents)	58.3	35.9	62		24.8	10.4	138		33.5	(26)	
Statutory return on tangible equity (%)[2]	8.7	4.3	440		7.0	3.6	340		10.6	(360)	
Statutory earnings per share (cents)	54.8	25.8	112		22.1	10.8	105		32.6	(32)	

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Change is the basis points (bps) difference between the two periods rather than the percentage change
3 Not meaningful

The Group delivered a resilient and encouraging performance in the first half of 2021. Against a backdrop of challenging conditions, characterised by an uneven and volatile recovery from the COVID-19 pandemic, underlying operating profit before tax recovered strongly from last year, up 37 per cent. Significantly lower credit impairment and strong underlying business momentum more than offset the impact of lower interest rates and increased expenses. Income declined 6 per cent on a constant currency basis excluding the negative movement in the debit valuation adjustment (DVA). A record first half performance in Wealth Management, up 23 per cent, as well as 6 per cent growth in Loans and Advances to Customers in the first six months was more than offset by the impact of an 18 basis points year on year decline in the net interest margin. Credit impairment was a net release of $47 million, a $1,614 million year on year improvement, reflecting the generally better economic backdrop in some of our key markets. The Group remains well capitalised and highly liquid. The CET1 ratio of 14.1 per cent is above the top end of the 13 to 14 per cent target range allowing the Board to decide to carry out another share buy-back programme imminently, the advances-to-deposits ratio was 64.0 per cent and the liquidity coverage ratio was 146 per cent.

- Operating income declined 5 per cent in the first half and was down 6 per cent on a constant currency basis and excluding a $105 million negative movement in DVA. The impact of lower interest rates was partially offset by a record performance in Wealth Management and a 6 per cent growth in Loans and Advances to Customers in the first six months of the year

- Net interest income decreased 4 per cent with increased volumes more than offset by an 18 basis point decline in net interest margin reflecting the impact of interest rate cuts in many of our key markets. Net interest income included a positive $73 million IFRS9 interest income catch-up adjustment in respect of interest earned on historically impaired assets, increasing the 2Q'21 net interest margin by 5 basis points
- Other income decreased 7 per cent, or 6 per cent on a constant currency basis excluding the negative impact of movements in DVA, with a record performance in Wealth Management more than offset by lower trading income in Financial Markets and lower realisation gains in Treasury
- Operating expenses increased 8 per cent or 4 per cent on a constant currency basis. Expenses were up due to the impact of the normalisation of performance-related pay accruals and higher investment spend as the Group continued to develop its transformational digital capabilities. The cost-to-income ratio increased 7 percentage points to 67 per cent excluding DVA and UK bank levy, reflecting both the impact of the significantly lower interest rate environment on net interest income and the increase in expenses
- Credit impairment was a $47 million net release, an improvement of $1,614 million demonstrating the resilience of the overall portfolio. There was a $105 million release in stage 1 and 2 impairments reflecting the impact of improvements in the macroeconomic variables incorporated into expected credit loss models, additional collateral and guarantees received on a few credit grade 12 clients and a $51 million release of the judgemental management overlay relating to stage 1 and 2 loans. Impairments of stage 3 assets of $58 million were down $841 million, with no significant new impairments on stage 3 exposures in the first half
- Other impairment of $25 million was primarily driven by impairment charges relating to the aviation leasing portfolio
- Profit from associates and joint ventures increased 76 per cent to $134 million. In 1H'20, the Group could only recognise its share of the profits of its associate China Bohai Bank for four rather than six months due to the timing of China Bohai Bank's initial public offering in July 2020. This was partly offset by the Group's share of China Bohai Bank's profits reducing to 16.26 per cent in 1H'21 compared to 19.99 per cent in 1H'20 reflecting the Group's reduced shareholding post the initial public offering
- Charges relating to restructuring, goodwill impairment and other items decreased $205 million to $123 million, with increased restructuring costs more than offset by the non-repeat of $258 million of goodwill impairment primarily in India which was booked in 1H'20
- Taxation was $631 million on a statutory basis with an underlying year-to-date effective tax rate of 24.1 per cent down from the 1H'20 rate of 29.0 per cent reflecting a favourable change in the geographic mix of profits and higher profits diluting the impact of non-deductible costs and withholding tax
- Underlying return on tangible equity increased by 330 basis points to 9.3 per cent, with the impact of increased profits partly offset by increased tangible equity which was up despite the dividends paid and share buy-back programmes completed in 1H'21

Operating income by product

	1H'21 $million	1H'20 $million	Change %	Constant currency change[1] %	2Q'21 $million	2Q'20 $million	Change %	Constant currency change[1] %	1Q'21 $million	Change %	Constant currency change[1] %
Transaction Banking	1,280	1,521	(16)	(17)	637	721	(12)	(13)	643	(1)	(1)
Trade	568	490	16	15	291	230	27	24	277	5	5
Cash Management	712	1,031	(31)	(32)	346	491	(30)	(31)	366	(5)	(6)
Financial Markets[2]	2,590	2,770	(6)	(8)	1,270	1,230	3	1	1,320	(4)	(3)
Macro Trading[2]	1,243	1,579	(21)	(23)	571	754	(24)	(26)	672	(15)	(15)
Credit Markets	936	743	26	24	495	476	4	2	441	12	12
Credit Trading	233	156	49	47	102	181	(44)	(44)	131	(22)	(22)
Financing Solutions & Issuance	703	587	20	18	393	295	33	29	310	27	26
Structured Finance	219	180	22	20	120	88	36	35	99	21	21
Financing & Securities Services	193	164	18	14	85	113	(25)	(21)	108	(21)	(12)
DVA	(1)	104	(101)	(101)	(1)	(201)	100	99	–	nm[3]	nm[3]
Lending & Portfolio Management	486	440	10	8	253	235	8	5	233	9	9
Wealth Management[2]	1,200	976	23	21	554	440	26	24	646	(14)	(14)
Retail Products	1,695	1,859	(9)	(11)	846	913	(7)	(10)	849	–	–
CCPL & other unsecured lending	640	599	7	4	320	295	8	4	320	–	–
Deposits	442	885	(50)	(51)	209	413	(49)	(51)	233	(10)	(10)
Mortgage & Auto	515	305	69	61	268	169	59	51	247	9	9
Other Retail Products	98	70	40	40	49	36	36	39	49	–	4
Treasury	394	503	(22)	(22)	137	178	(23)	(24)	257	(47)	(46)
Other	(27)	(22)	(23)	(100)	(8)	3	nm[3]	(190)	(19)	58	50
Total underlying operating income	7,618	8,047	(5)	(7)	3,689	3,720	(1)	(3)	3,929	(6)	(6)

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Following a reorganisation of certain clients, there has been a reclassification of balances across products. Prior periods have been restated
3 Not meaningful

Reflecting the Group's new organisational structure that came into effect on 1 January 2021, the Financial Markets business has been expanded and reorganised, integrating the majority of the Corporate Finance business within Financial Markets. The remaining elements of the Corporate Finance business, primarily M&A Advisory, have been transferred into Lending & Portfolio Management.

Transaction Banking income was down 16 per cent. Cash Management declined 31 per cent as increased volumes and fees were more than offset by declining margins in the lower interest rate environment. Trade increased 16 per cent with double-digit growth in balances, as global trade activity rebounded back to pre-pandemic levels, strong fee income growth and increased margins benefiting from pricing discipline.

Financial Markets income declined 6 per cent or 4 per cent excluding DVA and the impact of the catch-up IFRS9 interest income adjustment. Macro trading declined 21 per cent with reduced client activity and lower trading gains resulting from a non-repeat of the exceptional market volatility experienced in 1H'20. Credit Markets income increased 26 per cent driven by strong growth in origination and distribution activities partly offset by tightening credit spreads. Structured Finance was up 22 per cent benefiting from increased leasing income due to new deals and profits from the sale of aircraft. Financing & Securities Services income grew 18 per cent from increased volumes and fee income partly offset by lower margins.

Lending and Portfolio Management income increased 10 per cent including the impact of the catch-up IFRS9 interest income adjustment. Excluding this adjustment, income was up 4 per cent with strong momentum in Fund Financing and capturing additional income from low-margin but high-returning IPO loans.

Wealth Management delivered a record performance in 1H'21 with income up 23 per cent. There was a particularly strong sales performance in FX, equities and structured notes with our digital investments supporting strong net new sales and assets under management growth, with income excluding bancassurance up 27 per cent. Bancassurance income, which year-to-date is just under a quarter of total Wealth Management income, was 12 per cent higher reflecting earlier recognition of an annual bancassurance bonus.

Retail Products income reduced 9 per cent on a reported basis and was down 11 per cent on a constant currency basis. Deposits income declined 50 per cent as the lower interest rate environment compressed margins and more than offset increased volumes and improved balance sheet mix. Double-digit volume growth and improved margins led to a 69 per cent growth across Mortgages & Auto and a 40 per cent increase in Other Retail Products. Credit Cards & Personal Loans income was up 7 per cent with increased balances reflecting transactional activity levels showing signs of recovery to pre-COVID-19 levels in some of the Group's markets.

Treasury income declined 22 per cent, with a $196 million reduction in realisation gains to $119 million.

Profit before tax by client segment and geographic region

	1H'21 $million	1H'20 $million	Change %	Constant currency change[1] %	2Q'21 $million	2Q'20 $million	Change %	Constant currency change[1] %	1Q'21 $million	Change %	Constant currency change[1] %
Corporate, Commercial & Institutional Banking	1,821	1,279	42	43	936	543	72	77	885	6	7
Consumer Private & Business Banking	778	417	87	89	299	125	139	136	479	(38)	(38)
Central & other items (segment)	83	259	(68)	(63)	1	65	(98)	(95)	82	(99)	(98)
Underlying profit before taxation	2,682	1,955	37	41	1,236	733	69	78	1,446	(15)	(14)
Asia	2,239	1,590	41	40	1,005	573	75	73	1,234	(19)	(19)
Africa & Middle East	475	90	nm[2]	nm[2]	285	43	nm[2]	nm[2]	190	50	54
Europe & Americas	337	356	(5)	(3)	104	255	(59)	(59)	233	(55)	(56)
Central & other items (region)	(369)	(81)	nm[2]	(174)	(158)	(138)	(14)	11	(211)	25	27
Underlying profit before taxation	2,682	1,955	37	41	1,236	733	69	78	1,446	(15)	(14)

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

Reflecting the updated organisational structure that came into effect on 1 January 2021, this is the first half-year reporting period in which the Group is reporting on its new structure. The new structure results in the creation of two new client segments; Corporate, Commercial & Institutional Banking serving larger companies and institutions and Consumer, Private & Business Banking serving individual and smaller business banking clients. Further, certain clients have been moved between the two new client segments with a restatement of prior periods. From a regional perspective, Greater China & North Asia and ASEAN & South Asia have been combined to form a single Asia region.

Corporate, Commercial & Institutional Banking profit increased 42 per cent as improved credit impairment more than offset lower income, increased expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20. Income declined 7 per cent excluding DVA and the impact of the catch-up IFRS9 interest income adjustment, with a 31 per cent reduction in Cash Management due to the impact of lower interest rates and lower trading gains in Financial Markets resulting from a non-repeat of the exceptional market volatility experienced in 1H'20. This was partially offset by 16 per cent increase in Trade income as global trade activity rebounded back to pre-pandemic levels. Expenses increased 8 per cent.

Consumer, Private & Business Banking profit increased 87 per cent driven mainly by higher income and significantly lower credit impairment. Income increased 2 per cent, and was flat on a constant currency basis, as record Wealth Management performance and strong growth in Mortgage & Auto income more than offset the impact of lower interest rates on Retail Deposits. Expenses increased 3 per cent but were flat on a constant currency basis.

Central & other items (segment) profit declined 68 per cent to $83 million with income down 26 per cent reflecting lower realisation gains within Treasury. Expenses were up 43 per cent reflecting the normalisation of performance-related pay accruals.

Asia profits increased 41 per cent as lower credit impairments more than offset lower income, increased expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20. Income reduced 1 per cent or 3 per cent on a constant currency basis excluding negative movements in DVA with a strong Wealth Management performance offset by lower trading income and the impact of the lower interest rate environment.

Africa & Middle East profits increased over five-fold to $475 million, our highest half-year profit performance in the last five years, due to a $410 million improvement in impairments. Income was flat and up 1 per cent on a constant currency basis, with growth in Wealth Management income and strong pipeline conversion offsetting the impact of interest rate cuts. Expenses increased 3 per cent on a constant currency basis.

Europe & Americas had a net release in credit impairment which was more than offset by lower income and increased costs leading to a 5 per cent reduction in profits. Income decreased 9 per cent, or 4 per cent excluding negative movements in DVA reflecting lower trading gains resulting from a non-repeat of the exceptional market volatility experienced in 1H'20.

Central & other items (region) recorded a loss of $369 million with income declining $265 million due to lower returns paid to Treasury on the equity provided to the regions in a lower interest rate environment and increased expenses reflecting a normalisation of performance-related pay accruals.

Adjusted net interest income and margin

	1H'21 $million	1H'20 $million	Change[1] %	2Q'21 $million	2Q'20 $million	Change[1] %	1Q'21 $million	Change[1] $million
Adjusted net interest income[2]	3,375	3,619	(7)	1,705	1,688	1	1,670	2
Average interest-earning assets	557,215	520,902	7	558,089	531,131	5	556,331	–
Average interest-bearing liabilities	513,805	471,801	9	517,939	479,053	8	509,625	2
Gross yield (%)[3]	1.85	2.65	(80)	1.86	2.37	(51)	1.85	1
Rate paid (%)[3]	0.69	1.39	(70)	0.69	1.21	(52)	0.69	–
Net yield (%)[3]	1.16	1.26	(10)	1.17	1.16	1	1.16	1
Net interest margin (%)[3,4]	1.22	1.40	(18)	1.22	1.28	(6)	1.22	–

1 Variance is better/(worse) other than assets and liabilities, which is increase/(decrease)
2 Adjusted net interest income is statutory net interest income less funding costs for the trading book and financial guarantee fees on interest-earning assets
3 Change is the basis points (bps) difference between the two periods rather than the percentage change
4 Adjusted net interest income divided by average interest-earning assets, annualised

Adjusted net interest income was down 7 per cent driven by a 13 per cent decline in the net interest margin which reduced 18 basis points year-on-year. The net interest margin was stable quarter-on-quarter in the second quarter at 122 basis points supported by a IFRS9 interest income catch-up adjustment; excluding the impact of this $73 million adjustment the normalised net interest margin in 2Q'21 would have been 117 basis points:

- Average interest-earning assets were broadly flat in the quarter, with increased loans to customers and cash reserves offset by declines in loans to banks and investment securities balances. Gross yields increased 1 basis point compared with the average in the prior quarter and were down 4 basis points excluding the IFRS9 interest income catch-up adjustment. The underlying 5 basis point decrease reflects the impact of further falls in HIBOR, an increase in returns-accretive but low-margin lending related to initial public offerings, realisations in the Treasury portfolio that generated $104 million of gains in the first quarter and a shift in Treasury deployment in the second quarter from securities to cash in a lower yield environment which, whilst impacting gross yields, was returns accretive.
- Average interest-bearing liabilities increased 2 per cent in the quarter while the rate paid on liabilities remained stable in the quarter

Credit risk summary

Income Statement

	1H'21 $million	1H'20 $million	Change[1] %	2Q'21 $million	2Q'20 $million	Change[1] %	1Q'21 $million	Change[1] %
Total credit impairment charge/(release)	(47)	1,567	(103)	(67)	611	(111)	20	(435)
Of which stage 1 and 2	(105)	668	(116)	(70)	217	(132)	(35)	100
Of which stage 3	58	899	(94)	3	394	(99)	55	(95)

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

Balance sheet

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
Gross loans and advances to customers[2]	303,982	298,297	2	288,312	5	282,826	7
Of which stage 1	277,290	270,367	3	256,437	8	250,278	11
Of which stage 2	17,634	19,212	(8)	22,661	(22)	23,739	(26)
Of which stage 3	9,058	8,718	4	9,214	(2)	8,809	3
Expected credit loss provisions	(5,979)	(6,213)	(4)	(6,613)	(10)	(6,513)	(8)
Of which stage 1	(447)	(486)	(8)	(534)	(16)	(476)	(6)
Of which stage 2	(544)	(683)	(20)	(738)	(26)	(780)	(30)
Of which stage 3	(4,988)	(5,044)	(1)	(5,341)	(7)	(5,257)	(5)
Net loans and advances to customers	298,003	292,084	2	281,699	6	276,313	8
Of which stage 1	276,843	269,881	3	255,903	8	249,802	11
Of which stage 2	17,090	18,529	(8)	21,923	(22)	22,959	(26)
Of which stage 3	4,070	3,674	11	3,873	5	3,552	15
Cover ratio of stage 3 before/after collateral (%)[3]	55 / 75	58 / 77	(3) / (2)	58 / 76	(3) / (1)	60 / 80	(5) / (5)
Credit grade 12 accounts ($million)	1,623	2,197	(26)	2,164	(25)	1,519	7
Early alerts ($million)	8,970	9,779	(8)	10,692	(16)	14,406	(38)
Investment grade corporate exposures (%)[3]	63	62	1	62	1	57	6

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods
2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $4,584 million at 30 June 2021, $3,197 million at 31 March 2021, $2,919 million at 31 December 2020 and $4,383 million at 30 June 2020
3 Change is the percentage points difference between the two points rather than the percentage change

Whilst credit risk remains elevated, we have seen improvements in a number of metrics with high-risk assets lower for the fourth successive quarter and a net release in credit impairment for the first six months of the year. The Group is well-placed to support our clients as economies recover but the Group continues to remain vigilant to the continued impact of COVID-19 including vaccination progress and the likelihood of uneven economic recovery across markets and industries.

Credit impairment was a net $47 million release in the first half, an improvement of $1,614 million compared to 1H'20 demonstrating the resilience of the overall portfolio.

Stage 1 and 2 impairments were a net release of $105 million, reflecting an improvement in the macroeconomic environment in select key markets and additional collateral received relating to a few clients. There was also a $51 million release of the judgemental stage 1 and 2 management overlay, down to $301 million remaining as at 30 June 2021.

Stage 3 impairments were a charge of $58 million, reflecting the impact of a normalisation of recoveries in Consumer, Private & Business Banking which were reduced in 2020 due to COVID-19 related disruptions, a net release within Corporate, Commercial & Institutional Banking due to ongoing repayments as well as no significant new impairments on stage 3 exposures in the half, and a $20 million increase relating to the catch-up of interest earned on historically impaired assets.

Gross stage 3 loans and advances to customers of $9.1 billion were down 2 per cent compared with 31 December 2020 primarily due to increased repayments and loan sales. These credit-impaired loans represented 3.0 per cent of gross loans and advances, a decrease of 22 basis points compared with 31 December 2020.

The stage 3 cover ratio of 55 per cent was down 3 percentage points compared with the position as at 31 December 2020, and the cover ratio post collateral at 75 per cent was down 1 percentage points, mainly reflecting new inflows into stage 3 where the Group is confident that we have a low probability of a significant loss as it benefits from guarantees and insurance which are not included as tangible collateral.

Credit grade 12 balances have reduced by a quarter since 31 December 2020 with new inflows from Early Alert accounts more than offset by outflows into stage 3 and repayments.

Early Alert accounts of $9.0 billion have reduced by $1.7 billion since 31 December 2020 reflecting the net impact of downgrades into credit grade 12 and regularisations of accounts back into non-high-risk categories. The aviation sector accounts for more than two thirds of the increase in the Early Alert balance since the onset of COVID-19. The Group is continuing to monitor its exposures in the Aviation, Oil & Gas and Metals & Mining sectors particularly carefully, given the unusual stresses caused by the effects of COVID-19.

The proportion of investment-grade corporate exposures has increased since 31 December 2020 by 1 percentage points to 63 per cent.

Restructuring, goodwill impairment and other items

	1H'21			1H'20		
	Restructuring $million	Goodwill impairment $million	Other items $million	Restructuring $million	Goodwill impairment $million	Other items $million
Operating income	10	–	–	46	–	6
Operating expenses	(129)	–	–	(49)	–	14
Credit impairment	4	–	–	(9)	–	–
Other impairment	(15)	–	–	(77)	(258)	–
Profit/(loss) from associates and joint ventures	7	–	–	(1)	–	–
Profit/(loss) before taxation	(123)	–	–	(90)	(258)	20

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing underlying performance period-by period. Restructuring charges of $123 million primarily relate to redundancies, set up expenses related to flexible working and impairments on property as the Group adapts to new ways of working post-pandemic.

Balance sheet and liquidity

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
Assets							
Loans and advances to banks	45,188	48,016	(6)	44,347	2	50,499	(11)
Loans and advances to customers	298,003	292,084	2	281,699	6	276,313	8
Other assets	452,719	464,803	(3)	463,004	(2)	414,773	9
Total assets	795,910	804,903	(1)	789,050	1	741,585	7
Liabilities							
Deposits by banks	30,567	30,521	–	30,255	1	28,986	5
Customer accounts	441,147	441,684	–	439,339	–	421,153	5
Other liabilities	271,339	280,423	(3)	268,727	1	241,549	12
Total liabilities	743,053	752,628	(1)	738,321	1	691,688	7
Equity	52,857	52,275	1	50,729	4	49,897	6
Total equity and liabilities	795,910	804,903	(1)	789,050	1	741,585	7
Advances-to-deposits ratio (%)[2]	64.0%	62.7%		61.1%		62.7%	
Liquidity coverage ratio (%)	146%	150%		143%		149%	

1 Variance is increase/(decrease)comparing current reporting period to prior reporting periods
2 The Group now excludes $16,213 million held with central banks (31.03.21: $15,996 million, 31.12.20: $14,296 million, 30.06.20: $13,595 million) that has been confirmed as repayable at the point of stress

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

- Loans and advances to customers increased 6 per cent since 31 December 2020 to $298 billion with double-digit growth in Trade and high single digit growth in Corporate Lending which in part benefited from a temporary increase in balances relating to upcoming initial public offerings in Hong Kong. Retail Mortgage balances grew for the fifth successive quarter
- Customer accounts of $441 billion were broadly stable since 31 December 2020 with an increase in Corporate operating accounts and Retail current and savings accounts offset by a reduction in Corporate and Retail time deposits
- Other assets declined 2 per cent since 31 December 2020 with reduced derivative assets and investment securities balances partly offset by increased balances at central banks and reverse repurchase agreements. Other liabilities increased 1 per cent from issued debt securities and other liabilities partly offset by reduced derivative liabilities

The advances-to-deposits ratio increased to 64.0 per cent from 61.1 per cent at 31 December 2020. The liquidity coverage ratio increased to 146 per cent from 143 per cent due to a reduction in the Group's high-quality liquid asset requirement through deposit optimisation and remains well above the minimum regulatory requirement of 100 per cent.

Risk-weighted assets

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
By risk type							
Credit risk	229,348	226,789	1	220,441	4	213,136	8
Operational risk	27,116	27,116	–	26,800	1	26,800	1
Market risk	23,763	22,765	4	21,593	10	22,616	5
Total RWAs	280,227	276,670	1	268,834	4	262,552	7

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

Total risk-weighted assets (RWA) increased 4 per cent or $11 billion since 31 December 2020 to $280.2 billion:

- Credit Risk RWA increased by $8.9 billion in the first half to $229.3 billion with asset growth mostly due to increased client demand and activity partly offset by FX movements and RWA optimisation actions. Credit migration increased RWAs by $1.3 billion
- Operational Risk RWA increased $0.3 billion to $27.1 billion due to an increase in average income as measured over a rolling three-year time horizon, with higher 2020 income replacing lower 2017 income
- Market Risk RWA increased by $2.2 billion to $23.8 billion primarily due to increased internal models approach (IMA) positions and charges for IMA risks not in VaR

Capital base and ratios

	30.06.21 $million	31.03.21 $million	Change[1] %	31.12.20 $million	Change[1] %	30.06.20 $million	Change[1] %
CET1 capital	39,589	38,711	2	38,779	2	37,625	5
Additional Tier 1 capital (AT1)	6,293	6,293	–	5,612	12	5,612	12
Tier 1 capital	45,882	45,004	2	44,391	3	43,237	6
Tier 2 capital	13,279	13,527	(2)	12,657	5	13,231	–
Total capital	59,161	58,531	1	57,048	4	56,468	5
CET1 capital ratio (%) [2]	14.1	14.0	0.1	14.4	(0.3)	14.3	(0.2)
Total capital ratio (%) [2]	21.1	21.2	(0.1)	21.2	(0.1)	21.5	(0.4)
UK leverage ratio (%) [2]	5.2	5.1	0.1	5.2	–	5.2	–

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods
2 Change is percentage points difference between two points rather than percentage change

The Group's CET1 ratio of 14.1 per cent was 30 basis points lower than at 31 December 2020, 4.2 percentage points above the Group's latest regulatory minimum of 9.9 per cent and just above the 13-14 per cent medium-term target range. The Group's minimum CET1 requirement decreased to 9.9 per cent from 10 per cent at 31 December 2020 as the Group's Pillar 2A requirement (which is fixed in absolute terms) was reduced by higher RWA in the period.

Profit accretion in the first half increased the Group's CET1 ratio by approximately 70 basis points but this was broadly offset by an increase in RWAs, principally due to balance sheet growth, which decreased the CET1 ratio by approximately 70 basis points as well.

The CET1 ratio was reduced by 11 basis points due to higher regulatory deductions primarily relating to excess expected loss and the expiry of the prudential valuation adjustment temporary regulatory diversification benefit at the start of 2021. A net reduction in fair value through other comprehensive income reserves reduced the CET1 ratio by 5 basis points. These movements were partly offset by a 9 basis points increase in the value of the benefit from the revised treatment of software assets in CET1 reflecting an increase in capitalised software assets. The total benefit to CET1 from the revised treatment of software assets is now 31 basis points. On 9 July 2021, the PRA published a policy statement on implementing Basel standards which confirmed qualifying software assets would need to be deducted from CET1 from January 2022.

The Board has recommended a proposed interim 2021 ordinary share dividend of 3 cents a share for the first half of the year which is calculated formulaically at one-third of the prior year's full-year dividend, reducing the CET1 ratio by approximately 3 basis points.

The Group spent $255 million purchasing 37 million ordinary shares of $0.50 each during the first quarter, representing a volume-weighted average price per share of £4.92. These shares were subsequently cancelled, reducing the total issued share capital by 1.2 per cent and the CET1 ratio by 9 basis points.

The Board has decided to carry out an additional share buy-back imminently for up to a maximum consideration of $250 million to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the third quarter of 2021 by approximately 9 basis points.

The Group's UK leverage ratio of 5.2 per cent is the same as the ratio as at 31 December 2020 and remains significantly above its minimum requirement of 3.7 per cent.

Outlook

The recovery from the COVID-19 pandemic has been uneven and volatile, though encouragingly the trends we see as we exit the quarter are more positive in our bigger markets. Against this backdrop we expect:

- With the current level of normalised net interest margin and strong customer demand likely to continue in 2H'21, we still expect FY'21 income to be similar to that achieved in FY'20 on a constant currency basis and to return to our medium-term guidance of 5-7 per cent growth from FY'22
- We still expect expenses to remain below $10 billion in FY'21 excluding the impact of currency translation, though they may increase slightly driven by performance-related pay
- Excluding the impact of any unforeseeable events we expect credit impairment to remain low for the remainder of the year
- We intend to operate dynamically within the full CET1 13-14 per cent target range with an eye to the opportunities for growth, as well as credit and economic conditions and strength of our earnings, as we continue our focus on safely improving our overall return on capital

Andy Halford
Group Chief Financial Officer

3 August 2021

Supplementary financial information

Underlying performance by client segment

	1H'21			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Operating income	4,292	2,969	357	7,618
External	4,087	2,773	758	7,618
Inter-segment	205	196	(401)	–
Operating expenses	(2,582)	(2,098)	(412)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	871	(55)	2,526
Credit impairment	136	(93)	4	47
Other impairment	(25)	–	–	(25)
Profit from associates and joint ventures	–	–	134	134
Underlying profit before taxation	1,821	778	83	2,682
Restructuring	(38)	(22)	(63)	(123)
Goodwill impairment	–	–	–	–
Other items	–	–	–	–
Statutory profit before taxation	1,783	756	20	2,559
Total assets	387,689	137,452	270,769	795,910
Of which: loans and advances to customers	197,732	134,291	23,153	355,176
loans and advances to customers	141,205	134,192	22,606	298,003
loans held at fair value through profit or loss (FVTPL)	56,527	99	547	57,173
Total liabilities	452,449	179,967	110,637	743,053
Of which: customer accounts[2]	307,619	175,556	8,417	491,592
Risk-weighted assets	174,613	56,164	49,450	280,227
Underlying return on tangible equity (%)	11.2	14.5	(3.6)	9.3
Cost-to-income ratio (%) (excluding UK bank levy)	60.2	70.7	113.7	66.8

	1H'20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Central & other items $million	Total $million
Operating income	4,655	2,909	483	8,047
External	4,662	2,355	1,030	8,047
Inter-segment	(7)	554	(547)	–
Operating expenses	(2,384)	(2,041)	(288)	(4,713)
Operating profit before impairment losses and taxation	2,271	868	195	3,334
Credit impairment	(1,107)	(450)	(10)	(1,567)
Other impairment	115	(1)	(2)	112
Profit from associates and joint ventures	–	–	76	76
Underlying profit before taxation	1,279	417	259	1,955
Restructuring	(74)	(6)	(10)	(90)
Goodwill impairment	–	–	(258)	(258)
Other items	–	–	20	20
Statutory profit before taxation	1,205	411	11	1,627
Total assets	369,781	120,529	251,275	741,585
Of which: loans and advances to customers	192,543	118,182	17,440	328,165
loans and advances to customers	140,888	118,000	17,425	276,313
loans held at fair value through profit or loss (FVTPL)	51,655	182	15	51,852
Total liabilities	446,498	168,264	76,926	691,688
Of which: customer accounts[2]	298,019	164,813	6,632	469,464
Risk-weighted assets	168,006	50,314	44,232	262,552
Underlying return on tangible equity (%)	7.6	8.2	(2.7)	6.0
Cost-to-income ratio (%)	51.2	70.2	59.6	58.6

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Further, certain clients have been moved between the two new client segments. Prior period has been restated

2 Customer accounts includes FVTPL and repurchase agreements

Corporate, Commercial & Institutional Banking[1]

	1H'21 $million	1H'20 $million	Change[3] %	Constant currency change[2,3] %	2Q'21 $million	2Q'20 $million	Change[3] %	Constant currency change[2,3] %	1Q'21 $million	Change[3] %	Constant currency change[2,3] %
Operating income	4,292	4,655	(8)	(9)	2,131	2,151	(1)	(3)	2,161	(1)	(1)
Transaction Banking	1,237	1,473	(16)	(17)	615	699	(12)	(13)	622	(1)	(1)
Trade	543	470	16	15	278	221	26	24	265	5	5
Cash Management	694	1,003	(31)	(32)	337	478	(29)	(31)	357	(6)	(5)
Financial Markets	2,590	2,770	(6)	(8)	1,270	1,230	3	1	1,320	(4)	(3)
Macro Trading	1,243	1,579	(21)	(23)	571	754	(24)	(26)	672	(15)	(15)
Credit Markets	936	743	26	24	495	476	4	2	441	12	12
Credit Trading	233	156	49	47	102	181	(44)	(44)	131	(22)	(22)
Financing Solutions & Issuance	703	587	20	18	393	295	33	29	310	27	26
Structured Finance	219	180	22	20	120	88	36	35	99	21	21
Financing & Securities Services	193	164	18	14	85	113	(25)	(21)	108	(21)	(12)
DVA	(1)	104	(101)	(101)	(1)	(201)	100	99	–	nm[7]	nm[7]
Lending & Portfolio Management	466	421	11	9	243	227	7	5	223	9	9
Retail Products	–	1	(100)	(100)	–	1	(100)	nm[7]	–	nm[7]	nm[7]
Deposits	–	1	(100)	(100)	–	1	(100)	nm[7]	–	nm[7]	nm[7]
Other	(1)	(10)	90	90	3	(6)	150	143	(4)	175	175
Operating expenses	(2,582)	(2,384)	(8)	(5)	(1,294)	(1,208)	(7)	(3)	(1,288)	–	–
Operating profit before impairment losses and taxation	1,710	2,271	(25)	(25)	837	943	(11)	(10)	873	(4)	(3)
Credit impairment	136	(1,107)	112	112	108	(362)	130	129	28	nm[7]	nm[7]
Other impairment	(25)	115	(122)	(122)	(9)	(38)	76	76	(16)	44	40
Underlying profit before taxation	1,821	1,279	42	43	936	543	72	77	885	6	7
Restructuring	(38)	(74)	49	48	(39)	2	nm[7]	nm[7]	1	nm[7]	nm[7]
Statutory profit before taxation	1,783	1,205	48	49	897	545	65	69	886	1	2
Total assets	387,689	369,781	5	3	387,689	369,781	5	3	388,867	–	–
Of which: loans and advances to customers[4]	197,732	192,543	3	1	197,732	192,543	3	1	192,953	2	2
Total liabilities	452,449	446,498	1	–	452,449	446,498	1	–	488,661	(7)	(8)
Of which: customer accounts[4]	307,619	298,019	3	1	307,619	298,019	3	1	317,934	(3)	(3)
Risk-weighted assets	174,613	168,006	4	nm[7]	174,613	168,006	4	nm[7]	168,646	4	nm[7]
Underlying return on risk-weighted assets (%)[5]	2.2	1.5	70bps	nm[7]	2.2	1.3	90bps	nm[7]	2.1	10bps	nm[7]
Underlying return on tangible equity (%)[5]	11.2	7.6	360bps	nm[7]	11.2	6.3	490bps	nm[7]	11.1	10bps	nm[7]
Cost-to-income ratio (%)[6]	60.2	51.2	(9.0)	(8.3)	60.7	56.2	(4.5)	(3.3)	59.6	(1.1)	(0.9)

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking. Further, certain clients have been moved between Corporate, Commercial & Institutional Banking and Consumer, Private & Business Banking. Prior periods have been restated
2 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
3 Variance is better/(worse) other than risk-weighted assets, assets and liabilities, which is increase/(decrease)
4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
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6 Change is the percentage points difference between the two periods rather than the percentage change
7 Not meaningful

Performance highlights

- Underlying profit before tax of $1,821 million was up 42 per cent driven by lower credit impairments, partially offset by lower income, increased expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20
- Underlying operating income of $4,292 million was down 8 per cent (down 6 per cent excluding DVA) primarily as a result of lower Macro Trading income in Financial Markets and the lower interest rate environment impacting Cash Management, partially offset by an increase in Trade income as global trade activity rebounded post the pandemic
- Good balance sheet momentum with loans and advances to customers up 2 per cent since 31 March 2021
- Risk-weighted assets up $6 billion since 31 March 2021 mainly as a result of asset growth and increased market risk RWA
- RoTE increased from 7.6 per cent to 11.2 pr cent

Consumer, Private & Business Banking[1]

	1H'21 $million	1H'20 $million	Change[3] %	Constant currency change[2,3] %	2Q'21 $million	2Q'20 $million	Change[3] %	Constant currency change[2,3] %	1Q'21 $million	Change[3] %	Constant currency change[2,3] %
Operating income	2,969	2,909	2	–	1,438	1,386	4	1	1,531	(6)	(6)
Transaction Banking	43	48	(10)	(14)	22	22	–	(13)	21	5	(5)
Trade	25	20	25	19	13	9	44	30	12	8	8
Cash Management	18	28	(36)	(38)	9	13	(31)	(43)	9	–	(20)
Lending & Portfolio Management	20	19	5	5	10	8	25	11	10	–	–
Wealth Management	1,200	976	23	21	554	440	26	24	646	(14)	(14)
Retail Products	1,695	1,858	(9)	(11)	846	912	(7)	(10)	849	–	–
CCPL & other unsecured lending	640	599	7	4	320	295	8	4	320	–	–
Deposits	442	884	(50)	(51)	209	412	(49)	(51)	233	(10)	(10)
Mortgage & Auto	515	305	69	61	268	169	59	51	247	9	9
Other Retail Products	98	70	40	40	49	36	36	39	49	–	4
Other	11	8	38	22	6	4	50	20	5	20	20
Operating expenses	(2,098)	(2,041)	(3)	–	(1,093)	(1,012)	(8)	(4)	(1,005)	(9)	(9)
Operating profit before impairment losses and taxation	871	868	–	–	345	374	(8)	(9)	526	(34)	(35)
Credit impairment	(93)	(450)	79	80	(46)	(248)	81	81	(47)	2	(2)
Other impairment	–	(1)	100	100	–	(1)	100	100	–	nm[7]	nm[7]
Underlying profit before taxation	778	417	87	89	299	125	139	136	479	(38)	(38)
Restructuring	(22)	(6)	nm[7]	nm[7]	(13)	(1)	nm[7]	nm[7]	(9)	(44)	(33)
Statutory profit before taxation	756	411	84	87	286	124	131	130	470	(39)	(40)
Total assets	137,452	120,529	14	11	137,452	120,529	14	11	135,514	1	1
Of which: loans and advances to customers[4]	134,291	118,182	14	10	134,291	118,182	14	10	132,602	1	1
Total liabilities	179,967	168,264	7	4	179,967	168,264	7	4	178,894	1	–
Of which: customer accounts[4]	175,556	164,813	7	4	175,556	164,813	7	4	174,510	1	–
Risk-weighted assets	56,164	50,314	12	nm[7]	56,164	50,314	12	nm[7]	56,140	–	nm[7]
Underlying return on risk-weighted assets (%)[5]	2.8	1.6	120bps	nm[7]	2.1	1.0	110bps	nm[7]	3.5	(140)bps	nm[7]
Underlying return on tangible equity (%)[5]	14.5	8.2	630bps	nm[7]	11.0	5.0	600bps	nm[7]	18.1	(710)bps	nm[7]
Cost-to-income ratio (%)[6]	70.7	70.2	(0.5)	(0.1)	76.0	73.0	(3.0)	(2.7)	65.6	(10.4)	(10.5)

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7 Not meaningful

Performance highlights

- Underlying profit before tax of $778 million was up 87 per cent, driven by higher income and significantly lower credit impairments, partially offset by higher expenses
- Underlying operating income of $2,969 million was up 2 per cent as strong double-digit increases in Wealth Management and Mortgage & Auto income more than offset the impact of lower interest rates on Retail Deposits
- Loans and advances to customers were up 1 per cent since 31 March 2021
- RoTE increased from 8.2 per cent to 14.5 per cent

Central & other items (segment)

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	357	483	(26)	(28)	120	183	(34)	(38)	237	(49)	(49)
Treasury	394	503	(22)	(22)	137	178	(23)	(24)	257	(47)	(46)
Other	(37)	(20)	(85)	(200)	(17)	5	nm[6]	nm[6]	(20)	15	5
Operating expenses	(412)	(288)	(43)	(23)	(211)	(135)	(56)	(24)	(201)	(5)	(4)
Operating Profit/(loss) before impairment losses and taxation	(55)	195	(128)	(135)	(91)	48	nm[6]	nm[6]	36	nm[6]	nm[6]
Credit impairment	4	(10)	140	183	5	(1)	nm[6]	nm[6]	(1)	nm[6]	nm[6]
Other impairment	–	(2)	100	100	–	(3)	100	100	–	nm[6]	nm[6]
Profit from associates and joint ventures	134	76	76	76	87	21	nm[6]	nm[6]	47	85	89
Underlying profit before taxation	83	259	(68)	(63)	1	65	(98)	(95)	82	(99)	(98)
Restructuring	(63)	(10)	nm[6]	nm[6]	(38)	1	nm[6]	nm[6]	(25)	(52)	(52)
Goodwill impairment	–	(258)	100	100	–	–	nm[6]	nm[6]	–	nm[6]	nm[6]
Other items	–	20	(100)	(100)	–	6	(100)	(100)	–	nm[6]	nm[6]
Statutory Profit/(loss) before taxation	20	11	82	195	(37)	72	(151)	(175)	57	(165)	(165)
Total assets	270,769	251,275	8	6	270,769	251,275	8	6	280,522	(3)	(4)
Of which: loans and advances to customers[3]	23,153	17,440	33	28	23,153	17,440	33	28	21,620	7	7
Total liabilities	110,637	76,926	44	43	110,637	76,926	44	43	85,073	30	30
Of which: customer accounts[3]	8,417	6,632	27	24	8,417	6,632	27	24	8,503	(1)	(1)
Risk-weighted assets	49,450	44,232	12	nm[6]	49,450	44,232	12	nm[6]	51,884	(5)	nm[6]
Underlying return on risk-weighted assets (%)[4]	0.3	1.0	(70)bps	nm[6]	–	0.6	(60)bps	nm[6]	0.6	(60)bps	nm[6]
Underlying return on tangible equity (%)[4]	(3.6)	(2.7)	(90)bps	nm[6]	(9.3)	(9.9)	60bps	nm[6]	1.7	(1,100)bps	nm[6]
Cost-to-income ratio % (excluding UK bank levy)[5]	113.7	59.6	(54.1)	(45.8)	170.8	73.8	(97.0)	(82.7)	84.8	(86.0)	(85.6)

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4 Change is the basis points (bps) difference between the two periods rather than the percentage change
5 Change is the percentage points difference between the two periods rather than the percentage change
6 Not meaningful

Performance highlights

- Underlying profit before tax more than halved to $83 million with income down 26 per cent, reflecting lower realisation gains within Treasury
- Expenses increased 43 per cent with a normalisation of performance-related pay accruals
- Profit from associates and joint ventures increased by 76 per cent primarily from China Bohai Bank on improved performance and lower impairments, as well as normalisation of revenue recognition. In 1H'20, the Group could only recognise its share of the profits of its associate China Bohai Bank for four rather than six months due to the timing of China Bohai Bank's initial public offering in July 2020. This was partly offset by the Group's share of China Bohai Bank's profits reducing to 16.26 per cent in 1H'21 compared to 19.99 per cent in 1H'20, reflecting the Group's reduced shareholding in China Bohai Bank post the initial public offering

Underlying performance by region

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

	1H'20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,520	1,255	1,095	177	8,047
Operating expenses	(3,027)	(793)	(661)	(232)	(4,713)
Operating profit/(loss) before impairment losses and taxation	2,493	462	434	(55)	3,334
Credit impairment	(1,127)	(370)	(80)	10	(1,567)
Other impairment	150	(2)	2	(38)	112
Profit from associates and joint ventures	74	–	–	2	76
Underlying profit/(loss) before taxation	1,590	90	356	(81)	1,955
Restructuring	(50)	(9)	(10)	(21)	(90)
Goodwill impairment	–	–	–	(258)	(258)
Other items	–	–	–	20	20
Statutory profit/(loss) before taxation	1,540	81	346	(340)	1,627
Total assets	443,860	63,927	223,226	10,572	741,585
Of which: loans and advances to customers	229,743	33,083	65,339	–	328,165
loans and advances to customers	217,795	30,264	28,254	–	276,313
loans held at fair value through profit or loss (FVTPL)	11,948	2,819	37,085	–	51,852
Total liabilities	390,315	40,740	217,300	43,333	691,688
Of which: customer accounts[2]	314,910	32,530	122,024	–	469,464
Risk-weighted assets	169,179	52,009	44,326	(2,962)	262,552
Cost-to-income ratio (%)	54.8	63.2	60.4	131.1	58.6

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior period has been restated
2 Customer accounts includes FVTPL and repurchase agreements
3 Not meaningful

Asia[1]

	1H'21 $million	1H'20 $million	Change[3] %	Constant currency change[2,3] %	2Q'21 $million	2Q'20 $million	Change[3] %	Constant currency change[2,3] %	1Q'21 $million	Change[3] %	Constant currency change[2,3] %
Operating income	5,463	5,520	(1)	(3)	2,646	2,547	4	1	2,817	(6)	(6)
Operating expenses	(3,298)	(3,027)	(9)	(6)	(1,726)	(1,502)	(15)	(11)	(1,572)	(10)	(10)
Operating profit before impairment losses and taxation	2,165	2,493	(13)	(15)	920	1,045	(12)	(14)	1,245	(26)	(26)
Credit impairment	(47)	(1,127)	96	96	11	(478)	102	102	(58)	119	121
Other impairment	(15)	150	(110)	(110)	(15)	(15)	–	–	–	nm[6]	nm[6]
Profit from associates and joint ventures	136	74	84	84	89	21	nm[6]	nm[6]	47	89	87
Underlying profit before taxation	2,239	1,590	41	40	1,005	573	75	73	1,234	(19)	(19)
Restructuring	(27)	(50)	46	46	(22)	–	nm[6]	nm[6]	(5)	nm[6]	nm[6]
Statutory profit before taxation	2,212	1,540	44	42	983	573	72	70	1,229	(20)	(20)
Total assets	467,933	443,860	5	3	467,933	443,860	5	3	468,748	–	–
Of which: loans and advances to customers[4]	255,630	229,743	11	8	255,630	229,743	11	8	247,424	3	3
Total liabilities	418,583	390,315	7	5	418,583	390,315	7	5	418,288	–	–
Of which: customer accounts[4]	334,639	314,910	6	4	334,639	314,910	6	4	334,908	–	–
Risk-weighted assets	182,172	169,179	8	nm[6]	182,172	169,179	8	nm[6]	178,541	2	nm[6]
Cost-to-income ratio (%)[5]	60.4	54.8	(5.6)	(5.2)	65.2	59.0	(6.2)	(5.9)	55.8	(9.4)	(9.6)

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

Performance highlights

- Underlying profit before tax of $2,239 million was up 41 per cent as significantly lower credit impairments more than offset lower income, higher expenses and a non-repeat of a $165 million other impairment recovery in 1Q'20
- Underlying operating income of $5,463 million was down 1 per cent, predominantly driven by lower trading income in Financial Markets, and the lower interest rate environment impacting margins. This was partially offset by a strong performance in Wealth Management, Mortgages, Lending, Trade products and Treasury realisation gains in our key Asian markets
- Loans and advances to customers were up 3 per cent since 31 March 2021, predominantly driven by Lending in Hong Kong and China, Trade in Hong Kong and Singapore and Mortgage book growth in Korea, Hong Kong and Singapore
- Risk-weighted assets were up $4 billion since 31 March 2021

Africa & Middle East

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	1,250	1,255	–	1	660	594	11	10	590	12	12
Operating expenses	(815)	(793)	(3)	(3)	(422)	(390)	(8)	(4)	(393)	(7)	(7)
Operating profit before impairment losses and taxation	435	462	(6)	(3)	238	204	17	24	197	21	24
Credit impairment	40	(370)	111	111	47	(159)	130	131	(7)	nm[5]	nm[5]
Other impairment	–	(2)	100	100	–	(2)	100	100	–	nm[5]	nm[5]
Underlying profit before taxation	475	90	nm[5]	nm[5]	285	43	nm[5]	nm[5]	190	50	54
Restructuring	(3)	(9)	67	67	(2)	(2)	–	(100)	(1)	(100)	nm
Statutory profit before taxation	472	81	nm[5]	nm[5]	283	41	nm[5]	nm[5]	189	50	53
Total assets	57,797	63,927	(10)	(11)	57,797	63,927	(10)	(11)	57,618	–	–
Of which: loans and advances to customers[3]	29,825	33,083	(10)	(11)	29,825	33,083	(10)	(11)	28,548	4	4
Total liabilities	39,464	40,740	(3)	(5)	39,464	40,740	(3)	(5)	39,102	1	1
Of which: customer accounts[3]	32,847	32,530	1	(1)	32,847	32,530	1	(1)	31,465	4	4
Risk-weighted assets	52,596	52,009	1	nm[5]	52,596	52,009	1	nm[5]	50,640	4	nm[5]
Cost-to-income ratio (%)[4]	65.2	63.2	(2.0)	(1.2)	63.9	65.7	1.8	3.9	66.6	2.7	3.5

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2 Variance is better/(worse) other than risk-weighted assets, assets and liabilities, which is increase/(decrease)
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4 Change is the percentage points difference between the two periods rather than the percentage change
5 Not meaningful

Performance highlights

- Underlying profit before tax of $475 million, our highest in the last five years, increased over five-fold, driven by significantly reduced credit impairments, Wealth Management growth, productivity actions and a strong pipeline; partly offset by the flow-through impact of interest rate cuts
- Underlying operating income of $1,250 million was flat (up 1 per cent on a constant currency basis); the significant impact of interest rate cuts was largely offset by growth in Wealth Management income and healthy pipeline conversion
- Continued progress on the digital agenda helped drive Consumer, Private & Business Banking income growth which was 1 per cent higher (up 3 per cent on a constant currency basis)
- UAE has returned to profitability in 1H'21 on the back of lower credit impairments and broad-based efficiency actions
- Loans and advances to customers and customer accounts were both up 4 per cent since 31 March 2021
- Risk-weighted assets were up $2 billion since 31 March 2021

Europe & Americas

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	993	1,095	(9)	(11)	443	549	(19)	(21)	550	(19)	(20)
Operating expenses	(725)	(661)	(10)	(6)	(359)	(318)	(13)	(9)	(366)	2	2
Operating profit before impairment losses and taxation	268	434	(38)	(38)	84	231	(64)	(64)	184	(54)	(55)
Credit impairment	62	(80)	178	178	15	22	(32)	(29)	47	(68)	(69)
Other impairment	7	2	nm[5]	nm[5]	5	2	150	150	2	150	150
Underlying profit before taxation	337	356	(5)	(3)	104	255	(59)	(59)	233	(55)	(56)
Restructuring	(20)	(10)	(100)	(100)	(1)	4	(125)	(100)	(19)	95	100
Statutory profit before taxation	317	346	(8)	(6)	103	259	(60)	(60)	214	(52)	(52)
Total assets	261,041	223,226	17	16	261,041	223,226	17	16	269,560	(3)	(3)
Of which: loans and advances to customers[3]	69,721	65,339	7	5	69,721	65,339	7	5	71,203	(2)	(2)
Total liabilities	213,713	217,300	(2)	(3)	213,713	217,300	(2)	(3)	224,097	(5)	(5)
Of which: customer accounts[3]	124,106	122,024	2	–	124,106	122,024	2	–	134,574	(8)	(8)
Risk-weighted assets	48,556	44,326	10	nm[5]	48,556	44,326	10	nm[5]	49,848	(3)	nm[5]
Cost-to-income ratio (%)[4]	73.0	60.4	(12.6)	(11.7)	81.0	57.9	(23.1)	(22.3)	66.5	(14.5)	(14.6)

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

Performance highlights

- Underlying profit before tax of $337 million was down 5 per cent, driven by lower income and higher expenses, partially offset by lower credit impairment
- Underlying operating income of $993 million was down 9 per cent (down 4 per cent excluding the impact of DVA) driven by margin compression in Cash Management and the non-repeat of prior year realisation gains in Treasury Markets from the sale of longer-dated securities as bond yields fell. This was partially offset in Trade as global trade activity improved from the peak of the pandemic
- Loans and advances to customers were down 2 per cent since 31 March 2021, while customer accounts were down 8 per cent

Central & other items (region)

	1H'21 $million	1H'20 $million	Change[2] %	Constant currency change[1,2] %	2Q'21 $million	2Q'20 $million	Change[2] %	Constant currency change[1,2] %	1Q'21 $million	Change[2] %	Constant currency change[1,2] %
Operating income	(88)	177	(150)	(150)	(60)	30	nm[4]	nm[4]	(28)	(114)	(111)
Operating expenses	(254)	(232)	(9)	10	(91)	(145)	37	51	(163)	44	45
Operating loss before impairment losses and taxation	(342)	(55)	nm[4]	nm[4]	(151)	(115)	(31)	3	(191)	21	23
Credit impairment	(8)	10	(180)	(190)	(6)	4	nm[4]	nm[4]	(2)	(200)	nm[4]
Other impairment	(17)	(38)	55	55	1	(27)	104	104	(18)	106	106
Profit from associates and joint ventures	(2)	2	(200)	(200)	(2)	–	nm[4]	nm[4]	–	nm[4]	–
Underlying loss before taxation	(369)	(81)	nm[4]	(174)	(158)	(138)	(14)	11	(211)	25	27
Restructuring	(73)	(21)	nm[4]	nm[4]	(65)	–	nm[4]	nm[4]	(8)	nm[4]	nm[4]
Goodwill impairment	–	(258)	100	100	–	–	nm[4]	nm[4]	–	nm[4]	nm[4]
Other items	–	20	(100)	(100)	–	6	(100)	(100)	–	nm[4]	nm[4]
Statutory loss before taxation	(442)	(340)	(30)	(13)	(223)	(132)	(69)	(30)	(219)	(2)	–
Total assets	9,139	10,572	(14)	(14)	9,139	10,572	(14)	(14)	8,977	2	2
Total liabilities	71,293	43,333	65	64	71,293	43,333	65	64	71,141	–	–
Risk-weighted assets	(3,097)	(2,962)	(5)	nm[4]	(3,097)	(2,962)	(5)	nm[4]	(2,359)	(31)	nm[4]
Cost-to-income ratio % (excluding UK bank levy)[3]	nm[4]	131.1	nm[4]	nm[4]	(141.7)	nm[4]	nm[4]	nm[4]	nm[4]	nm[4]	nm[4]

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2 Variance is better/(worse) other than risk-weighted assets, assets and liabilities which is increase/(decrease)
3 Change is the percentage points difference between the two periods rather than the percentage change
4 Not meaningful

Performance highlights

- Underlying loss before tax of $369 million compared to 1H'20 loss of $81 million was mainly due to lower returns paid to Treasury on the equity provided to the regions in a lower interest rate environment and increased expenses reflecting a normalisation of performance-related pay accruals

Underlying performance by key market

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

	1H'20								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	1,830	549	474	790	724	196	318	567	431
Operating expenses	(948)	(343)	(309)	(475)	(318)	(85)	(198)	(324)	(260)
Operating profit before impairment losses and taxation	882	206	165	315	406	111	120	243	171
Credit impairment	(162)	(15)	(102)	(438)	(167)	(64)	(192)	(65)	(13)
Other impairment	(15)	–	–	–	–	–	–	2	–
Profit from associates and joint ventures	–	–	74	–	–	–	–	–	–
Underlying profit/(loss) before taxation	705	191	137	(123)	239	47	(72)	180	158
Total assets employed	161,959	59,516	35,142	86,599	28,907	5,154	23,331	149,632	62,010
Of which: loans and advances to customers[1]	77,549	37,347	16,240	49,959	15,057	2,398	11,737	41,611	19,270
Total liabilities employed	150,645	52,033	29,938	82,231	19,631	3,537	15,835	142,100	65,853
Of which: customer accounts[1]	126,463	42,937	23,125	62,667	13,906	2,324	12,223	81,179	36,043
Cost-to-income ratio (%)	51.8	62.5	65.2	60.1	43.9	43.4	62.3	57.1	60.3

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

Quarterly underlying operating income by product

	2Q'21 $million	1Q'21 $million	4Q'20 $million	3Q'20 $million	2Q'20 $million	1Q'20 $million	4Q'19 $million	3Q'19 $million
Transaction Banking	637	643	652	665	721	800	834	887
Trade	291	277	249	255	230	260	259	282
Cash Management	346	366	403	410	491	540	575	605
Financial Markets[1]	1,270	1,320	957	1,185	1,230	1,540	1,038	1,147
Macro Trading[1]	571	672	435	518	754	825	458	463
Credit Markets	495	441	414	464	476	267	376	427
Credit Trading	102	131	119	129	181	(25)	83	110
Financing Solutions & Issuance	393	310	295	335	295	292	293	317
Structured Finance	120	99	101	101	88	92	160	96
Financing & Securities Services	85	108	76	124	113	51	116	147
DVA	(1)	–	(69)	(22)	(201)	305	(72)	14
Lending & Portfolio Management	253	233	218	226	235	205	207	212
Wealth Management[1]	554	646	442	572	440	536	415	488
Retail Products	846	849	848	859	913	946	960	975
CCPL & other unsecured lending	320	320	303	309	295	304	311	315
Deposits	209	233	271	301	413	472	484	510
Mortgage & Auto	268	247	234	211	169	136	130	123
Other Retail Products	49	49	40	38	36	34	35	27
Treasury	137	257	92	40	178	325	196	335
Other	(8)	(19)	(10)	(28)	3	(25)	(53)	(66)
Total underlying operating income	3,689	3,929	3,199	3,519	3,720	4,327	3,597	3,978

1 Following a reorganisation of certain clients, there has been a reclassification of balances across products. Prior period has been restated from 1Q'20

Earnings per ordinary share

	1H'21 $million	1H'20 $million	Change %	2Q'21 $million	2Q'20 $million	Change %	1Q'21 $million	Change %
Profit for the period attributable to equity holders	1,928	1,066	81	829	549	51	1,099	(25)
Non-controlling interest	(14)	(18)	22	(6)	(11)	45	(7)	14
Dividend payable on preference shares and AT1 classified as equity	(196)	(232)	16	(132)	(199)	34	(65)	(103)
Profit for the period attributable to ordinary shareholders	1,718	816	111	691	339	104	1,027	(33)
Items normalised:								
Provision for regulatory matters	–	(14)	nm[1]	–	–	nm[1]	–	nm[1]
Restructuring	123	90	37	90	(2)	nm[1]	33	173
Goodwill impairment	–	258	nm[1]	–	–	nm[1]	–	nm[1]
Net gain on sale of Businesses	–	(6)	nm[1]	–	(6)	nm[1]	–	nm[1]
Tax on normalised items	(15)	(6)	(150)	(8)	(3)	(167)	(7)	(14)
Underlying profit	1,826	1,138	60	773	328	136	1,053	(27)
Basic - Weighted average number of shares (millions)	3,133	3,168	nm[1]	3,121	3,150	nm[1]	3,146	nm[1]
Diluted - Weighted average number of shares (millions)	3,185	3,204	nm[1]	3,169	3,190	nm[1]	3,200	nm[1]
Basic earnings per ordinary share (cents)[2]	54.8	25.8	29.0	22.1	10.8	11.3	32.6	(10.5)
Diluted earnings per ordinary share (cents)[2]	53.9	25.5	28.4	21.8	10.6	11.2	32.1	(10.3)
Underlying basic earnings per ordinary share (cents)[2]	58.3	35.9	22.4	24.8	10.4	14.4	33.5	(8.7)
Underlying diluted earnings per ordinary share (cents)[2]	57.3	35.5	21.8	24.4	10.3	14.1	32.9	(8.5)

1 Not meaningful
2 Change is the percentage points difference between the two periods rather than the percentage change

Return on Tangible Equity

	1H'21 $million	1H'20 $million	Change %	2Q'21 $million	2Q'20 $million	Change %	1Q'21 $million	Change %
Average parent company Shareholders' Equity	46,242	44,567	4	46,460	44,623	4	46,026	1
Less Preference share premium	(1,494)	(1,494)	–	(1,494)	(1,494)	–	(1,494)	–
Less Average intangible assets	(5,098)	(5,025)	(1)	(5,129)	(4,960)	(3)	(5,068)	(1)
Average Ordinary Shareholders' Tangible Equity	39,650	38,048	4	39,837	38,169	4	39,464	1
Profit for the period attributable to equity holders	1,928	1,066	81	829	549	51	1,099	(25)
Non-controlling interests	(14)	(18)	22	(6)	(11)	45	(7)	14
Dividend payable on preference shares and AT1 classified as equity	(196)	(232)	16	(132)	(199)	34	(65)	(103)
Profit for the period attributable to ordinary shareholders	1,718	816	111	691	339	104	1,027	(33)
Items normalised:								
Provision for regulatory matters	–	(14)	nm[1]	–	–	nm[1]	–	nm[1]
Restructuring	123	90	37	90	(2)	nm[1]	33	173
Goodwill Impairment	–	258	nm[1]	–	–	nm[1]	–	nm[1]
Net gain on sale of businesses	–	(6)	nm[1]	–	(6)	nm[1]	–	nm[1]
Tax on normalised items	(15)	(6)	(150)	(8)	(3)	(167)	(7)	(14)
Underlying profit for the period attributable to ordinary shareholders	1,826	1,138	60	773	328	136	1,053	(27)
Underlying Return on Tangible Equity	9.3%	6.0%	330bps	7.8%	3.5%	430bps	10.8%	(300)bps
Statutory Return on Tangible Equity	8.7%	4.3%	440bps	7.0%	3.6%	340bps	10.6%	(360)bps

1 Not meaningful

Net Tangible Asset Value per Share

	30.06.21 $million	30.06.20 $million	Change %	31.12.20 $million	Change %	31.03.21 $million	Change %
Parent company shareholders' equity	46,752	45,058	4	45,886	2	46,166	1
Less Preference share premium	(1,494)	(1,494)	–	(1,494)	–	(1,494)	–
Less Intangible assets	(5,187)	(5,029)	(3)	(5,063)	(2)	(5,072)	(2)
Net shareholders tangible equity	40,071	38,535	4	39,329	2	39,600	1
Ordinary shares in issue, excluding own shares (millions)	3,119	3,148	(1)	3,150	(1)	3,118	–
Net Tangible Asset Value per share (cents)[1]	1,285	1,224	61	1,249	36	1,270	15

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

Underlying versus statutory results reconciliations

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

Operating income by client segment

	1H'21			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Underlying operating income	4,292	2,969	357	7,618
Restructuring	12	–	(2)	10
Other items	–	–	–	–
Statutory operating income	4,304	2,969	355	7,628

	1H'20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Central & other items $million	Total $million
Underlying operating income	4,655	2,909	483	8,047
Restructuring	47	–	(1)	46
Other items	–	–	6	6
Statutory operating income	4,702	2,909	488	8,099

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Further, certain clients have been moved between the two new client segments. Prior period has been restated

Operating income by region

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

	1H'20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	5,520	1,255	1,095	177	8,047
Restructuring	52	6	–	(12)	46
Other items	–	–	–	6	6
Statutory operating income	5,572	1,261	1,095	171	8,099

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior period has been restated

Profit before taxation (PBT)

	1H'21					
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	7,618	–	10	–	–	7,628
Operating expenses	(5,092)	–	(129)	–	–	(5,221)
Operating profit/(loss) before impairment losses and taxation	2,526	–	(119)	–	–	2,407
Credit impairment	47	–	4	–	–	51
Other impairment	(25)	–	(15)	–	–	(40)
Profit from associates and joint ventures	134	–	7	–	–	141
Profit/(loss) before taxation	2,682	–	(123)	–	–	2,559

	1H'20					
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	8,047	–	46	6	–	8,099
Operating expenses	(4,713)	14	(49)	–	–	(4,748)
Operating profit/(loss) before impairment losses and taxation	3,334	14	(3)	6	–	3,351
Credit impairment	(1,567)	–	(9)	–	–	(1,576)
Other impairment	112	–	(77)	–	(258)	(223)
Profit from associates and joint ventures	76	–	(1)	–	–	75
Profit/(loss) before taxation	1,955	14	(90)	6	(258)	1,627

Profit before taxation (PBT) by client segment

	1H'21			
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Central & other items $million	Total $million
Operating income	4,292	2,969	357	7,618
External	4,087	2,773	758	7,618
Inter-segment	205	196	(401)	–
Operating expenses	(2,582)	(2,098)	(412)	(5,092)
Operating profit/(loss) before impairment losses and taxation	1,710	871	(55)	2,526
Credit impairment	136	(93)	4	47
Other impairment	(25)	–	–	(25)
Profit from associates and joint ventures	–	–	134	134
Underlying profit before taxation	1,821	778	83	2,682
Restructuring	(38)	(22)	(63)	(123)
Goodwill impairment	–	–	–	–
Other items	–	–	–	–
Statutory profit before taxation	1,783	756	20	2,559

	1H'20			
	Corporate, Commercial & Institutional Banking[1] $million	Consumer, Private & Business Banking[1] $million	Central & other items $million	Total $million
Operating income	4,655	2,909	483	8,047
External	4,662	2,355	1,030	8,047
Inter-segment	(7)	554	(547)	–
Operating expenses	(2,384)	(2,041)	(288)	(4,713)
Operating profit before impairment losses and taxation	2,271	868	195	3,334
Credit impairment	(1,107)	(450)	(10)	(1,567)
Other impairment	115	(1)	(2)	112
Profit from associates and joint ventures	–	–	76	76
Underlying profit before taxation	1,279	417	259	1,955
Restructuring	(74)	(6)	(10)	(90)
Goodwill impairment	–	–	(258)	(258)
Other items	–	–	20	20
Statutory profit before taxation	1,205	411	11	1,627

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Further, certain clients have been moved between the two new client segments. Prior period has been restated

Profit before taxation (PBT) by region

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

	1H'20				
	Asia[1] $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	5,520	1,255	1,095	177	8,047
Operating expenses	(3,027)	(793)	(661)	(232)	(4,713)
Operating profit/(loss) before impairment losses and taxation	2,493	462	434	(55)	3,334
Credit impairment	(1,127)	(370)	(80)	10	(1,567)
Other impairment	150	(2)	2	(38)	112
Profit from associates and joint ventures	74	–	–	2	76
Underlying profit/(loss) before taxation	1,590	90	356	(81)	1,955
Restructuring	(50)	(9)	(10)	(21)	(90)
Goodwill impairment	–	–	–	(258)	(258)
Other items	–	–	–	20	20
Statutory profit/(loss) before taxation	1,540	81	346	(340)	1,627

1 Following the Group's change in organisational structure, there has been an integration of Greater China & North Asia and ASEAN & South Asia to Asia. Prior period has been restated

Return on tangible equity (RoTE)

	1H'21			
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Central & other items %	Total %
Underlying RoTE	11.2	14.5	(3.6)	9.3
Provision for regulatory matters	–	–	–	–
Restructuring				
Of which: Income	0.1	–	(0.1)	0.1
Of which: Expenses	(0.4)	(0.5)	(1.6)	(0.7)
Of which: Credit impairment	–	–	–	–
Of which: Other impairment	–	–	(0.4)	(0.1)
Of which: Profit from associates and joint ventures	–	–	0.2	–
Net gain on businesses disposed/held for sale	–	–	–	–
Goodwill impairment	–	–	–	–
Tax on normalised items	–	0.1	–	0.1
Statutory RoTE	10.9	14.1	(5.5)	8.7

	1H'20			
	Corporate, Commercial & Institutional Banking[1] %	Consumer, Private & Business Banking[1] %	Central & other items %	Total %
Underlying RoTE	7.6	8.2	(2.7)	6.0
Provision for regulatory matters	–	–	0.5	0.1
Restructuring				
Of which: Income	0.4	–	–	0.2
Of which: Expenses	(0.3)	(0.2)	(0.3)	(0.3)
Of which: Credit impairment	(0.1)	–	–	–
Of which: Other impairment	(0.6)	–	–	(0.4)
Of which: Profit from associates and joint ventures	–	–	–	–
Net gain on businesses disposed/held for sale	–	–	0.2	–
Goodwill impairment	–	–	(8.3)	(1.4)
Tax on normalised items	0.1	–	(0.6)	0.1
Statutory RoTE	7.1	8.0	(11.2)	4.3

1 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking; Private Banking and Retail Banking to Consumer, Private & Business Banking. Further, certain clients have been moved between the two new client segments. Prior period has been restated

Earnings per ordinary share (EPS)

	1H'21						
	Underlying $ million	Provision for regulatory matters $ million	Restructuring $ million	Net gain on Sale of Businesses $ million	Goodwill impairment $ million	Tax on normalised items $ million	Statutory $ million
Profit for the period attributable to ordinary shareholders	1,826	–	(123)	–	–	15	1,718
Basic - Weighted average number of shares (millions)	3,133						3,133
Basic earnings per ordinary share (cents)	58.3						54.8

	1H'20						
	Underlying $ million	Provision for regulatory matters $ million	Restructuring $ million	Net gain on Sale of Businesses $ million	Goodwill impairment $ million	Tax on normalised items $ million	Statutory $ million
Profit for the period attributable to ordinary shareholders	1,138	14	(90)	6	(258)	6	816
Basic - Weighted average number of shares (millions)	3,168						3,168
Basic earnings per ordinary share (cents)	35.9						25.8

Alternative performance measures

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

Measure	Definition
Constant currency basis	A performance measure on a constant currency basis is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: • Operating income • Operating expenses • Profit before tax • RWAs or Risk-weighted assets
Underlying/Normalised	A performance measure is described as underlying/normalised if the statutory result has been adjusted for restructuring and other items representing profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. A reconciliation between underlying/normalised and statutory performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such: • Operating income • Operating expense • Profit before tax • Earnings per share (basic and diluted) • Cost-to-income ratio • Jaws • RoTE or Return on tangible equity
Advances-to-deposits/customer advances-to-deposits (ADR) ratio	The ratio of total loans and advances to customers relative to total customer accounts, excluding approved balances held with central banks, confirmed as repayable at the point of stress. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Cost-to-income ratio	The proportion of total operating expenses to total operating income.
Cover ratio	The ratio of impairment provisions for each stage to the gross loan exposure for each stage.
Cover ratio after collateral / cover ratio including collateral	The ratio of impairment provisions for stage 3 loans and realisable value of collateral held against these non-performing loan exposures to the gross loan exposure of stage 3 loans.
Gross yield	Statutory interest income divided by average interest earning assets.
Jaws	The difference between the rates of change in revenue and operating expenses. Positive jaws occurs when the percentage change in revenue is higher than, or less negative than, the corresponding rate for operating expenses.
Loan loss rate	Total credit impairment for loans and advances to customers over average loans and advances to customers.
Net tangible asset value per share	Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net yield	Gross yield less rate paid.
NIM or Net interest margin	Net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business, divided by average interest-earning assets excluding financial assets measured at fair value through profit or loss.
RAR per FTE or Risk adjusted revenue per full-time equivalent	Risk adjusted revenue (RAR) is defined as underlying operating income less underlying impairment over the past 12 months. RAR is then divided by the 12 month rolling average full-time equivalent (FTE) to determine RAR per FTE.
Rate paid	Statutory interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.
RoE or Return on equity	The ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders' equity for the reporting period.
RoTE or Return on ordinary shareholders' tangible equity	The ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average tangible equity, being ordinary shareholders' equity less the average goodwill and intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.
TSR or Total shareholder return	The total return of the Group's equity (share price growth and dividends) to investors.

Group Chief Risk Officer's review

"Cautiously optimistic while staying watchful"

Emerging stronger from the pandemic is a key focus for the Group. As the risk landscape has continued to evolve, new social and economic challenges have arisen, to add to existing geopolitical tensions. The COVID-19 recovery has continued apace in some markets, with successful vaccine roll outs and easing of restrictions bringing renewed optimism, whereas other locations and sectors have continued to lag and, in some cases, deteriorate. Continuing government support throughout the recovery has increased the risk of inflation, with some markets already seeing upward pressure on prices. In addition, the accumulation of worldwide debt provides further risks to the economic recovery.

The Group has built a strong foundation and we are well positioned to benefit from a recovery driven by key markets in our footprint. While credit risk remains elevated, we have seen improvements in a number of metrics, and credit impairment has significantly reduced year-on-year. Our capital and liquidity positions remain strong, however we remain vigilant in the face of ongoing uncertainty.

Digitalisation and technological development are key items on the Group's agenda. We are fully committed to a robust risk function, embracing innovation while ensuring that we achieve the right risk outcomes when adopting new technologies and digital capabilities. We must ensure that our control frameworks and Risk Appetite evolve accordingly to keep pace with new business developments and asset classes, such as crypto-related activities. We have also planned extensively to ensure smooth adoption of known upcoming changes such as the transition from Interbank Offered Rate (IBOR) to alternative risk-free rates.

Ever more sophisticated threats from fraudsters and cyber criminals require us to continue to enhance our defences, to protect both colleagues and clients. This is critical as we adapt to new ways of working while ensuring we enhance security and our operational resilience. We continue to scan the horizon for emerging risks, and collaborate with internal and external partners to proactively mitigate risks as they are identified.

Sustainability is a core part of our strategy and our vision is to be one of the world's most sustainable and responsible banks. At the start of 2021 we expanded our Reputational Risk Type Framework to integrate Environmental, Social and Governance risk management. We are also continuing to support our clients in their carbon reduction efforts by developing transition frameworks and sustainable financing solutions based on their needs. These are in line with our Position Statements which set out the environmental and social standards we require of our clients. Our vision of being a global leader in sustainable finance brings increased scrutiny, so we will have to ensure our actions align to our vision.

Our key risk priorities

We are committed to being a force for good and, as we emerge from the pandemic, the actions we take will set the foundations for achieving sustainable growth and performance. Below are our key priorities for 2021.

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

We strive to uphold the highest standards of conduct through delivery of the conduct outcomes outlined in the ERMF, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct.

COVID-19 presented a range of new or heightened conduct risks given the move to large-scale working-from-home arrangements as well as the economic impact on clients. We continue to focus on identifying and mitigating conduct risk arising from the pandemic, including increasing awareness of fraud and cyber security risks. More broadly we continue to focus on first line conduct risk ownership, using an enhanced Group Conduct Dashboard to draw insights.

Enhancing Information and Cyber Security (ICS) capabilities: The Group remains focused on pursuing a culture of cyber resilience as we progress with new ways of working, with a focus on maintaining client service and protecting our most critical assets. We have reviewed and enhanced key ICS risk metrics to support strategic oversight and decision-making, while also working to understand and reduce the Group's vulnerability to ICS Risk. In light of the external threat landscape and the continued prevalence of third-party ICS incidents, enhancing our oversight of third-party ICS risk is also a priority. We remain vigilant to evolving cyber threats and are supporting our businesses in their adoption of key controls.

Embedding climate risk management: We are making good progress in developing our climate risk capabilities, including quantifying climate-related physical and transition risks by leveraging external databases, partners and direct interaction with the Group's largest clients. Climate risk-related scenario analysis and stress testing are a top priority for the Group in 2021, with many exercises planned across our footprint markets, including the Bank of England's 2021 Biennial Exploratory Scenario. We will use the insights gained from these exercises to further strengthen our approach to climate risk management and disclosure. Our proactive engagement in response to various regulatory requirements has significantly improved our understanding of industry-wide challenges.

The next phase in the Group's climate risk journey will focus on two themes – working with clients and stakeholders to bridge data and methodology gaps over time, and marrying risk measurement to risk management, where available data and insights are of sufficient quality to inform risk management decisions. We plan to integrate Climate Risk into all relevant mainstream risk management processes by the end of this year.

Managing our environmental, social and governance (ESG) risk: Effective ESG risk management is a key enabler to our commitment of being a leader in sustainable and responsible banking, and at the start of the year we expanded the Reputational Principal Risk Type by adding Sustainability. We have developed an internal Environmental and Social Risk taxonomy that will be piloted to ensure that risk identification, assessment and enhanced due diligence are underpinned by a standard classification system. As ESG risk is a rapidly evolving area, ongoing monitoring of the regulatory landscape ensures that the foundations of ESG risk management are built in line with external ESG and sustainability-related obligations and commitments.

Managing financial crime risks: We strive to remain at the forefront of the fight against financial crime, leading the way by partnering with clients, peers and third parties to de-risk through education. As we continue to detect, and develop controls against new threats emerging as a result of the COVID-19 pandemic, we are also strengthening our control capability across all three lines of defence, ensuring that all of our people are aware of their responsibilities in fighting financial crime. We also continue to share information about threats in order to protect clients and the wider financial system. Our Financial Crime Compliance team has identified and prevented fraud and money laundering using next-generation surveillance and financial crime monitoring infrastructure. There is a heightened level of fraud risk in the environment due to new methods, schemes and technology, and we continue to increase our investment in fraud prevention and detection capabilities to protect the Group and our clients.

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

Enhancing our Risk and Conduct, Financial Crime and Compliance (CFCC) infrastructure: We continue to focus on simplifying our approach, with increased single points of contact and more effective first-line risk management. Flexible strategic risk report aggregation, centralised data and advanced analytical capabilities enabled an agile response to the challenges of COVID-19. The integration of our risk aggregation platform with front office data provides near real-time bespoke exposure analysis, decisioning and reporting, and our stress testing scenarios have been expanded to include the impact of the pandemic. We have clear priorities to continue to build a more digital and data driven control function with particular focus on scalable self-service solutions and partnerships with our internal innovation centre, SC Ventures. Hubs have continued to be utilised for centralised specialist knowledge and delivery of data visualisation, model development, validation and governance, with automation of supporting processes to reduce operational risks.

Embedding model risk management: We continue to implement an enhanced risk management framework through the Model Risk Management Strategic Enhancement Programme, and regulatory model delivery has been a key focus in the first half of 2021. The Group Model Inventory has been launched under a new platform, and we are continuing to enhance its functionality to achieve a leading inventory management tool. We have also enhanced the governance framework on models that utilise artificial intelligence and machine learning techniques through revision of policy and standards.

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, with a number of metrics showing improvements since the end of 2020. Although Credit Risk remains elevated, we have seen reductions in credit impairment and high-risk assets. This reflects our robust risk management approach and handling of risk during the pandemic, and we are well placed to support our clients as the recovery takes hold. We remain alert to the continued impact of COVID-19 and the likelihood of uneven economic recoveries across markets and industries.

While certain locations are seeing easing of restrictions, there have been resurgences of COVID-19 infections observed in some of our key markets. These remain under watch, and we continue to monitor vulnerable sectors such as Aviation, Hospitality, Oil & Gas and Real Estate with detailed portfolio and sector reviews. To support our clients, the Group has continued to enact comprehensive support schemes for retail and corporate customers, including loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities.

The proportion of the Group's loans and advances to customers in stage 1 has increased to 91 per cent (2020: 89 per cent) as we continue to focus on high-quality origination. This is offset by a reduction in stage 2 balances, which now represent 6 per cent of customer loans and advances (2020: 8 per cent). Stage 3 loans to customers marginally decreased to $9.1 billion (2020: $9.2 billion), as loan sales and a few significant repayments in Corporate, Commercial & institutional Banking were offset by a small number of downgrades. Stage 3 remains at 3 per cent of overall loans and advances.

The stage 3 cover ratio decreased to 55 per cent (2020: 58 per cent) as a result of new downgrades with lower levels of provision as they are partially covered by collateral. The cover ratio after collateral also reduced to 75 per cent (2020: 76 per cent) reflecting new inflows to stage 3 that benefit from insurance and guarantees that are not included in tangible collateral.

Credit grade 12 loans have decreased to $1.6 billion (2020: $2.2 billion) due to repayments and two material transfers to stage 3 in the second quarter. Downgrades to credit grade 12 were also significantly lower than the first half of 2020. Early alerts have decreased to $9.0 billion (2020: $10.7 billion), mainly driven by transfers to Group Special Assets Management (GSAM) and regularisations.

There has been a decrease in our Top 20 corporate clients as a percentage of Tier 1 capital to 58 per cent (2020: 60 percent). This is mainly driven by an increase in Tier 1 capital since year end, with overall exposure to our Top 20 corporates remaining largely flat. The Group's portfolios remain predominantly short-tenor and continue to be diversified across industry sectors, products, and geographies.

Our Consumer, Private and Business Banking portfolio remains stable and resilient, with 97 per cent of loans in stage 1, the same proportion as at the end of 2020. The majority of Consumer, Private and Business Banking products continue to be fully secured loans, which remained stable at 86 per cent of the portfolio (2020: 86 per cent). The overall average loan-to-value of the mortgage portfolio remains low at 43 per cent, and the unsecured portfolio continues to make up a small proportion of total Consumer, Private and Business Banking exposure.

Various short-term relief measures have been implemented and we have increased engagement with our customers to find appropriate financing options where available. As of 30 June 2021, less than 1 per cent of total Consumer, Private and Business Banking exposure has relief measures in place, of which 66 per cent is fully secured with an average loan-to-value of less than 40 per cent. The portfolio under moratoria reduced to $0.9 billion compared to $2.4 billion at the end of 2020, with the remaining balance primarily concentrated in Asia.

The macroeconomic environment remains challenging for the majority of the markets in our footprint and we are cognisant of the potential longer-term impact, especially once relief measures are eased. We continue to assess these situations on an ongoing basis, utilising our stress testing framework and portfolio reviews to analyse the potential impact and appropriate risk management actions.

Credit impairment

	6 months ended 30.06.21 $million	6 months ended 30.06.20 $million
Corporate, Commercial & Institutional Banking[1, 2]	(136)	1,115
Consumer, Private & Business Banking[2]	93	449
Central & Others	(4)	3
Credit impairment charge/(release)	(47)	1,567
Restructuring business portfolio	(4)	9
Total credit impairment charge/(release)	(51)	1,576

1 P&L for period ended 30.06.20 Credit impairment of $7 million in Central and other items is included in Corporate & Institutional Banking

2 Following the Group's change in organisational structure, there has been an integration of Corporate & Institutional Banking and Commercial Banking to Corporate, Commercial & Institutional Banking and; Private Banking and Retail Banking to Consumer, Private & Business Banking. Further, certain clients have been moved between the two new client segments. Prior period has been restated

The Group's underlying credit impairment was a net release of $47 million in the first half of 2021, a significant improvement compared with the same period in the previous year (H1 2020: $1,567 million charge). This included a $105 million release of stage 1 and 2 impairments, driven by repayments, additional collateral taken on some high-risk accounts, improvements in macroeconomic variables and a reduction in the judgemental overlay. Stage 3 impairment was a charge of $58 million, a reduction of $841 million compared to the first half of 2020. Corporate, Commercial & Institutional Banking saw a release of $59 million of stage 3 impairment from significant repayments for a few key clients, offset by new downgrades. Consumer, Private & Business Banking stage 3 impairment charge was $118 million (H1 2020: $172 million), a reduction compared to the previous year as recoveries (post charge-offs) reverted to normal levels after reducing in 2020 due to COVID-19 related disruptions across our footprint.

Average Group value at risk (VaR) in the first half of 2021 was 41 per cent lower than the previous six months at $79 million (H2 2020: $134 million) and 4 per cent lower than the first half of 2020 (H1 2020: $82 million), as the extreme market volatility following the outbreak of COVID-19 in March 2020 dropped out of the one-year VaR time horizon. Trading activities remain primarily client driven. There were no regulatory VaR backtesting exceptions in the first half of 2021 and none in the rolling 12-month period.

Despite challenges brought by COVID-19, the Group's balance sheet has remained structurally resilient and continues to perform well against liquidity stress tests. The Group's Advances-to-Deposits Ratio increased to 64 per cent (2020: 61 per cent), driven by customer loan growth of 5 per cent, mainly in Asia, which outpaced customer deposit growth. The Liquidity Coverage Ratio improved in the first half of the year to 146 per cent (2020: 143 per cent), driven by a reduction in the liquidity risk profile within the stressed horizon. All metrics remain comfortably within Risk Appetite.

The Group's Common Equity Tier 1 ratio is 14.1 per cent, which is above the top end of our target range of 13 to 14 per cent.

> Further details of the risk performance for the first six months of 2021 are set out in the Risk profile section

Key indicators

	30.06.21	31.12.20
Group total business[1]		
Stage 1 loans ($ billion)	277.3	256.4
Stage 2 loans ($ billion)	17.6	22.7
Stage 3 loans, credit-impaired ($ billion)	9.1	9.2
Stage 3 cover ratio	55%	58%
Stage 3 cover ratio (after collateral)	75%	76%
Corporate, Commercial & Institutional Banking		
Investment grade corporate net exposures as a percentage of total corporate net exposures	63%	62%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers	65%	61%
Early alert portfolio net exposures ($ billion)	9.0	10.7
Credit grade 12 loans ($ billion)	1.6	2.2
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital	58%	60%
Collateralisation of sub-investment grade net exposures maturing in more than one year	46%	46%
Consumer, Private and Business Banking		
Loan-to-value ratio of consumer, private and business banking mortgages	43%	45%

1 These numbers represent total loans and advances to customers

Our risk management approach

Our Enterprise Risk Management Framework outlines how we manage risk across the Group, as well as at branch and subsidiary level. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification. At the start of the year we introduced a number of enhancements, including the expansion of our Reputational Risk Principal Risk Type (PRT) to include Sustainability Risk, as well as the expansion of the Operational Risk PRT to include Technology Risk. Country Risk and Conduct Risk now form part of the overarching ERMF. These changes were rolled out and further embedded during the first half of the year.

We are further developing and enhancing our risk management approach to crypto-asset activities and associated risks throughout this year, and further details will be provided in the 2021 Annual Report.

Principal and cross-cutting risks

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's principal risks and cross-cutting risks and how these are managed. The principal risks have not changed in the first half of the year and further details can be found in our 2020 Annual Report.

Principal Risk Types	How these are managed
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors
Traded Risk	The Group should control its trading portfolio and activities to ensure that traded risk losses (financial or reputational) do not cause material damage to the Group's franchise
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 and Technology 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
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 Group
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
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that while incidents are unwanted, they cannot be entirely avoided
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; while accepting model uncertainty
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight
Climate Risk[1]	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement

1 In addition to principal risks, the Group also recognises Climate Risk as a cross-cutting risk that manifests through other principal risks

Emerging risks

Emerging risks refer to unpredictable and uncontrollable events with the potential to materially impact our business. As part of our continuous risk identification process, we have updated the Group's emerging risks from those disclosed in the 2020 Annual Report.

The following items have been removed as emerging risks:

- 'Middle East geopolitical tensions' – The risk has been removed as the immediate impact to the Group's credit portfolio is manageable
- 'Interbank Offered Rate discontinuation and transition' – This risk has been removed given the Group has a well-established global IBOR Transition Programme to consider all aspects of the transition and how risks from the transition can be mitigated

'Environmental damage' has been added as an emerging risk to reflect the broader sustainability agenda of the Group and capture environmental concerns beyond climate risk such as biodiversity loss and depletion of natural resources, which are an increasing area of focus for regulators, investors and Non-Governmental Organisations (NGOs).

The table on the next page summarises our current list of emerging risks, outlining the risk trend changes since the end of 2020, the reasons for any changes and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as identified by senior management. The list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them, but shows the Group's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

Emerging Risks	Risk trend since December 2020[1]	Key risk trend drivers	How these are mitigated
The nature of the COVID-19 recovery[2]	←→	COVID-19 continues to spread globally due to differences in the pace of vaccine rollouts and the emergence of new variants. Countries with access to vaccines are recovering faster, which may lead to an uneven recovery. Measures such as travel bans and restrictions, curfews, quarantines, and shutdowns have caused severe economic downturns in some countries. The human, economic and social crisis may result in increased political unrest. There is also a risk that other diseases may occur.	• As part of our stress tests, a severe stress in the global economy associated with a sharp slowdown was assessed. • Vulnerable sectors (for example, aviation and hospitality) are regularly reviewed and exposures to these sectors are actively managed. • Exposures that could result in material credit impairment charges and risk-weighted asset inflation under stress tests are regularly reviewed and managed. • We have enacted comprehensive support schemes for retail and corporate customers, including loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities. • The Group's priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible.
China-G7 tensions driven by geopolitics and trade imbalance	←→	Relations between China and the West remain fragile. Increasing restrictions have been imposed by the US on Chinese companies, particularly in the technology sector. The adoption of additional protectionist policies could disrupt established supply chains and invoke retaliatory actions.	• Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of Group stress scenarios. These stress tests provide visibility to key vulnerabilities so that management can implement timely interventions. • We are closely monitoring the China-G7 relationship and assessing the impact on our business with dedicated teams in the first and second line of defence. • Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements.
Environmental damage	↑	Climate change is a factor in biodiversity loss, pollution and depletion of resources. This poses a risk to food and health systems, and the disruption of supply chains. Most governments around the world have integrated targets into their domestic policies for climate risk. However, awareness of other environmental risks remains limited; such as biodiversity loss. Corporations are expected to incorporate environmental risks and sustainability in their business models. This exposes the Group to transition risks and emerging themes in regulatory compliance.	• We remain committed to being a responsible bank, minimising our environmental impact and embedding our values across the markets through our Position Statements for sensitive sectors. • The Group is proactively participating in industry initiatives and framework development on both climate and biodiversity, to help inform our internal efforts and capabilities. Increased scrutiny is applied to environmental and social standards in providing services to clients. • Detailed portfolio reviews are conducted on an ongoing basis and action is taken where necessary. • Stress tests are conducted to test the resilience to climate-related risks in line with local regulatory requirements.
Social unrest[3]	←→	While the level of violence in social demonstrations has eased, concerns on human rights in a number of countries have surfaced in 2021. Recurring COVID-19 outbreaks with new variants have disrupted the economic recovery trajectory of many markets, raising concerns about balancing citizens' rights with controlling the spread of the virus.	• The Group is committed to managing human rights impacts through our social safeguards in our Position Statements. • The Human Rights Working Group is developing an approach to monitor, report and escalate human rights issues to our management team for consideration with our Group's strategy. • We continue to support our operations and communities who are greatly impacted by COVID-19 through various aid programmes and financing. • We conduct portfolio reviews at a Group, country, and business level to assess the impact of extreme but plausible geopolitical events.

Sovereign risk[4]	←→	COVID-19 has impacted market conditions, causing liquidity and potential solvency issues for a number of the world's poorest countries. Government deficits and debt have risen to unprecedented levels across all country income groups. Long-term low or negative interest rates may drive searches for improved yield, which could result in a rapid escalation in asset values not aligned to fundamentals. Accommodative policies may result in inflation risks. In the short term, this is mitigated by weak demand and high unemployment. The current challenge for most authorities is to restore demand.	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed. • We conduct stress tests and portfolio reviews at a Group, country, and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly. • We utilise credit risk mitigation techniques, including credit insurance and collateral. • We track the participation of our footprint countries in G20's Common Framework for Debt Treatments and the associated exposure.
Data and digital[5]	←→	Regulatory requirements and client expectations relating to data management, data protection and privacy are increasing, including the ethical use of data and artificial intelligence. Rapid adoption and increased sophistication of new technologies may expose the Group to new technology-related risks, including heightened cyber security risks. Concentration of data in the hands of governments and big private companies is increasing the gap between those that are able to benefit from the digital age. There are also relatively few providers of new technologies such as cloud computing services.	• We actively monitor regulatory developments in relation to data management, data protection and privacy. • We have established a dedicated Data and Privacy Operations team to build data management and privacy expertise across the Group while ensuring compliance with data ownership and consent requirements. • The Group has an integrated strategy to leverage technology to manage cyber risk and to combat cyber-enabled financial crime. • We are engaging alternative cloud vendors to reduce the reliance on a single provider.
New business structures, channels and competition[6]	↑	There are significant shifts in customer value propositions. Fintechs are delivering digital-only banking offerings with a growing usage of machine learning to provide highly personalised services. There are also a growing number of use cases for blockchain technologies. In addition, crypto assets are gaining adoption and linked business models are increasing in prominence. These present material opportunities as well as risks. Failure to adapt and harness new technologies and new business models would place banks at a competitive disadvantage. There is an increasing usage of partnerships and alliances by banks to respond to disruption and changes in the industry. However, this exposes banks to third-party risks.	• We monitor emerging trends, opportunities and risk developments in technology that may have implications on the banking sector. • We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends. • We have rolled out enhanced digital capabilities in Consumer, Private and Business Banking, particularly around onboarding, sales, and marketing. • We are developing a Crypto Asset Risk Management Approach to manage these risks. • We are setting up strategic partnerships and alliances with Fintechs to better compete in the markets in which we operate. • Third-Party Risk management policies, procedures and governance are being reviewed to ensure adequate coverage across all Group activities.

Talent pools of the future[7]	↑	COVID-19 accelerated the move towards remote working. However, this also raised concerns around operational, information and cyber security, compliance and conduct risks. There are also risks that issues around wellbeing, performance and misconduct may go unseen. As the demand for new skills and capabilities gains momentum, a shortage of key skills will increase competition for talent. Cross-border mobility restrictions imposed by various countries will also adversely affect the talent pool and intensify the competition. Flexible and agile working models together with upskilling and reskilling of staff will be critical to attract, motivate and retain future talent.	• We assess and manage people-related risks, for example, organisation, capability, conduct and culture, as part of our Group risk management framework and our People Strategy. • The Group undertook a Future of Work change risk assessment which considered operational, compliance, data privacy and cyber security risks in addition to wellbeing, culture and leadership. • In 2020, we began focusing on laying the foundations for upskilling and re-skilling our workforce by building a culture of continuous learning and a future-ready workforce enabled by digital skills, organisational adaptability, and leadership at every level.

↑ Risk heightened in 2021 ↓ Risk reduced in 2021 ←→ Risk remained consistent with 2020 levels

1 The risk trend refers to the overall risk score trend, which is a combination of potential impact, likelihood and velocity of change
2 Previously 'The COVID-19 outbreak and the emergence of new diseases'
3 Previously 'Social unrest driven by economic downturns, water crises, medical provision and food security', and 'Rise of populism and nationalism driven by unemployment and a shift in global supply chains'
4 Previously 'Rising sovereign default risk and private sector creditor participation in the Common Framework Agreement', and 'Unintended consequences of accommodative monetary policy and the risk of asset bubbles and inflation'
5 Previously 'Increased data privacy and security risks from strategic and wider use of data'
6 Previously 'Third-party dependency' and 'New technologies and digitisation (including business disruption risk, responsible use of artificial intelligence)'
7 Previously 'Increase in long-term remote working providing new challenges'

Summary

The financial sector remains at the centre of the global economy, and we are committed to upholding the highest standards as the industry evolves. Technology is advancing at a rapid pace, and we need to ensure that we maximise the opportunities that are available, without compromising our core risk principles. The pandemic has increased the potential for global inequality, and as we rebuild we are in a unique position to service markets across the spectrum. We are focused on delivering our goals in a sustainable and responsible manner, remaining cognisant of our commitment to be here for good.

Mark Smith
Group Chief Risk Officer

3 August 2021

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LSE Stock code: STAN.LN
HKSE Stock code: 02888

By Order of the Board
Amanda Mellor
Group Company Secretary

Hong Kong, 3 August 2021

As at the date of this announcement, the Board of Directors of Standard Chartered PLC comprises:

Chairman:
José María Viñals Iñiguez

Executive Directors:
William Thomas Winters, CBE and Andrew Nigel Halford

Independent Non-Executive Directors:
David Philbrick Conner; Byron Elmer Grote; Christine Mary Hodgson, CBE (Senior Independent Director); Gay Huey Evans, CBE; Naguib Kheraj (Deputy Chairman); Maria da Conceicao das Neves Calha Ramos; Philip George Rivett; David Tang; Carlson Tong and Jasmine Mary Whitbread