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Standard Chartered PLC
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Standard Chartered PLC - Half Year Results 2024 - Part 1

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

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.

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.

Standard Chartered PLC - Results for the first half and second quarter ended 30 June 2024

All figures are presented on an underlying basis and comparisons are made to 2023 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items excluded from underlying results is set out below.

Bill Winters, Group Chief Executive, said:

"We produced a strong set of results for the first half of the year, demonstrating the value of our franchise as a cross-border corporate and investment bank and a leading wealth manager for affluent clients. We generated double-digit income growth, with positive momentum continuing into the second quarter, and with continued discipline in managing our expenses. This led to a 20% growth in underlying profit before tax. Reflecting confidence in our performance and robust capital position, we are upgrading our guidance for income growth, which we now expect to be above 7% in 2024, and we are announcing our largest ever share buyback of $1.5bn. This brings our total shareholder distributions announced since full-year 2023 results to $2.7bn."

Selected information on Q2'24 financial performance with comparisons to Q2'23 unless otherwise stated

- Operating income up 6% to $4.8bn, up 7% at constant currency (ccy)
  - Net interest income (NII) up 6% at ccy to $2.6bn, primarily due to the short-term hedge roll-off and benefit from treasury

optimisation activities; Non NII up 9% at ccy to $2.2bn

- Wealth Solutions up 27% at ccy, with broad-based growth across products and supported by robust leading indicators in net new sales and Affluent new to bank clients
- Global Banking up 11% at ccy, driven by pipeline execution and higher origination and distribution volumes
- Global Markets down 7% at ccy with non-repeat of strong prior year episodic income in Macro Trading

• Operating expenses up 2% to $2.9bn, up 4% at ccy driven by inflation and business growth

• Credit impairment charge of $73m includes $146m from Wealth & Retail Banking (WRB) in line with recent run rate and $66m release from impact of sovereign upgrades booked across CIB and Central & Other

- High risk assets of $8.5bn broadly flat quarter-on-quarter
- Loan-loss rate (LLR) of 12bps, down 4bps on prior year and down 11bps on prior quarter

• Underlying profit before tax of $1.8bn, up 15% at ccy; reported profit before tax of $1.6bn, up 5% at ccy

• Restructuring and other items of $250m of which $174m primarily relates to recycling of FX translation losses from reserves into the P&L on the sale of Zimbabwe (no impact on tangible net asset value and capital ratios)

• Balance sheet remains strong, liquid and well diversified

- Loans and advances to customers of $276bn, down $8bn or 3% since 31.3.24 from run-off of Treasury balances and FX translation; up $1bn on an underlying basis with continued growth in CIB offsetting mortgage headwinds in WRB
- Customer deposits of $468bn, up $9bn or 2% since 31.3.24; growth in WRB term deposits and CIB CASA

• Risk-weighted assets (RWA) of $242bn, down $10bn or 4% since 31.3.24

- Credit risk RWA down $8bn; from improved asset quality including sovereign upgrades, optimisation initiatives and FX translation
- Market risk RWA down $2bn reflecting lower risk as Markets activity reduced

• The Group remains strongly capitalised:

- Common equity tier 1 (CET1) ratio 14.6% (31.3.24: 13.6%), above 13-14% target range
- $1.5bn share buyback starting imminently is expected to reduce CET1 ratio by approximately 60bps
- Interim ordinary dividend increased 50% to 9 cents per share ($230m)

• Tangible net asset value per share of $14.44, up 54 cents since 31.3.24

• Return on Tangible Equity (RoTE) of 12.9%, up 1%pts

Selected information on H1'24 financial performance with comparisons to H1'23 unless otherwise stated

• Operating income up 11% to $10.0bn, up 13% at ccy; up 10% at ccy excluding notable items

- NII up 5% at ccy to $5.0bn; Non NII up 22% at ccy to $5.0bn, up 16% at ccy excluding two notable items
- Wealth Solutions up 25% at ccy, record performance, net new sales more than doubled to $13bn and Wealth AUM increased by 12% since 31.12.23 to $135bn
- Global Banking up 14% at ccy driven by higher origination and distribution volumes, executing on a strong pipeline
- Global Markets up 5% at ccy with flow income up 7%. Strong double-digit growth in Credit Trading and Commodities offset lower episodic income in FX and Rates
- Two notable items of $258m from revaluation of FX positions in Egypt and hyperinflation in Ghana

• Operating expenses up 3% to $5.7bn, up 5% at ccy

- Positive 8% income-to-cost jaws at ccy, with the cost-to-income ratio improving 4%pts to 57%

• Credit impairment charge of $249m, up $77m as WRB charges normalise following the release of management overlays in the first half last year

- Other impairment charge of $143m mostly relates to write-off of software assets with no impact on capital ratios
- Underlying profit before tax of $4.0bn, up 21% at ccy; reported profit before tax of $3.5bn, up 6% at ccy
- Restructuring charges of $150m; Other items of $289m primarily the recycling of FX translation losses and a provision in respect of the Korea equity linked securities portfolio
- Tax charge of $1.1bn; underlying effective tax rate of 30.1%
- Balance sheet remains strong, liquid and well diversified
  - Loans and advances to customers of $276bn, down $11bn or 4% since 31.12.23; up $5bn or 2% on an underlying basis
  - Customer deposits of $468bn, broadly flat since 31.12.23
  - Liquidity coverage ratio of 148% (31.12.23: 145%)
- Underlying earnings per share (EPS) increased 23.5 cents or 31% to 98.5 cents; Reported EPS increased 7.7 cents or 10% to 83.3 cents
- RoTE of 14.0%, up 2%pts

Update on 2024-2026 strategic actions for H1'24 unless otherwise stated

- Drive growth in high returning businesses in CIB: Cross-border (network) income up 12% year-on-year (YoY), excluding interest rate impact
- Build on strengths in Affluent client business in WRB: $23bn of net new money for the first six months of the year (H1'23: $13bn)
- Deliver profitability and drive returns accretion in Ventures: ~600k customers in Mox and ~800k customers in Trust
- Improve operational leverage through Fit for Growth programme: >200 projects scoped, execution in progress
- Deliver substantial shareholder distributions: $2.7bn of total distributions announced since FY'23

Other updates

- Sustainability: Sustainable Finance income up 18% YoY; mobilised over $105bn in Sustainable Finance since 1.1.21

Guidance

We are upgrading our 2024 income guidance while all other key points of guidance remain unchanged:

- Operating income to increase above 7% in 2024 at ccy, excluding the two notable items
- Net interest income for 2024 of $10bn to $10.25bn, at ccy
- Positive income-to-cost jaws, excluding UK bank levy, at ccy in 2024
- Low single-digit percentage growth in underlying loans and advances to customers and RWA in 2024
- Continue to expect LLR to normalise towards the historical through the cycle 30 to 35bps range
- Continue to operate dynamically within the full 13-14% CET1 ratio target range
- Continue to increase full-year dividend per share over time
- RoTE increasing steadily from 10%, targeting 12% in 2026 and to progress thereafter

Statement of results

	6 months ended 30.06.24 $million	6 months ended 30.06.23 $million	Change[1] %
Underlying performance			
Operating income	9,958	8,951	11
Operating expenses	(5,673)	(5,504)	(3)
Credit impairment	(249)	(172)	(45)
Other impairment	(143)	(63)	(127)
Profit from associates and joint ventures	64	94	(32)
Profit before taxation	3,957	3,306	20
Profit attributable to ordinary shareholders[2]	2,567	2,128	21
Return on ordinary shareholders' tangible equity (%)	14.0	12.0	200bps
Cost-to-income ratio (%)	57.0	61.5	453bps
Reported performance			
Operating income	9,791	9,127	7
Operating expenses	(6,056)	(5,668)	(7)
Credit impairment	(240)	(161)	(49)
Goodwill and other impairment	(147)	(77)	(91)
Profit from associates and joint ventures	144	102	41
Profit before taxation	3,492	3,323	5
Taxation	(1,123)	(938)	(20)
Profit for the period	2,369	2,385	(1)
Profit attributable to parent company shareholders	2,378	2,388	0
Profit attributable to ordinary shareholders[2]	2,169	2,145	1
Return on ordinary shareholders' tangible equity (%)	11.9	11.9	-
Cost-to-income ratio (%)	61.9	62.1	20bps
Net interest margin (%) (adjusted)[6]	1.85	1.67	18bps

	30.06.24 $million	31.12.23 $million	Change[1] %
Balance sheet and capital			
Total assets	835,427	822,844	2
Total equity	51,327	50,353	2
Average tangible equity attributable to ordinary shareholders[2]	36,529	36,098	1
Loans and advances to customers	275,896	286,975	(4)
Customer accounts	468,157	469,418	-
Risk-weighted assets	241,926	244,151	(1)
Total capital	53,569	51,741	4
Total capital ratio (%)	22.1	21.2	90bps
Common Equity Tier 1	35,418	34,314	3
Common Equity Tier 1 ratio (%)	14.6	14.1	50bps
Advances-to-deposits ratio (%)[3]	52.6	53.3	(70)bps
Liquidity coverage ratio (%)	148	145	300bps
UK leverage ratio (%)	4.8	4.7	10bps

	30.06.24 Cents	30.06.23 Cents	Change[1] Cents
Information per ordinary share			
Earnings per share - underlying[4]	98.5	75.0	23.5
- reported	83.3	75.6	7.7
Net asset value per share[5]	1,683	1,513	170
Tangible net asset value per share[5]	1,444	1,302	142
Number of ordinary shares at period end (millions)	2,550	2,797	(9)

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 reported earnings divided by the basic weighted average number of shares.

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

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

7 Reported performance/results within this interim financial report means amounts reported under UK-adopted IAS and EU IFRS. In prior periods Reported performance/results were described as Statutory performance/results

Group Chief Executive's review

Delivering a strong performance in the first six months of the year

We posted a strong set of results for the first six months of 2024, generating a 14 per cent return on tangible equity (RoTE). Income of $10.0 billion was up 13 per cent on a constant currency basis, supported by continued positive momentum in the second quarter. We delivered an encouraging performance across our engines of non net interest income, including a record performance in Wealth Solutions, with income up 25 per cent.

Good cost discipline has enabled us to generate significantly positive income-to-cost jaws of 8 per cent, even with continued underlying investments. Credit impairment rose year-on-year, though lower charges in the first half of 2023 in Wealth & Retail Banking (WRB) benefitted from provision releases. The broader portfolios have proved resilient, and we remain vigilant in the face of volatile global environment. All this has helped to increase underlying profit before tax by 21 per cent year-on-year to $4.0 billion.

We remain highly liquid with a diverse and stable deposit base and an advances-to-deposits ratio of 52.6 per cent. We are well capitalised, with equity generation and continued discipline on risk weighted assets (RWA) delivering a Common Equity Tier 1 (CET1) ratio of 14.6 per cent in the second quarter.

Driving sustainably higher returns

In February, we set out a series of further actions in each of our three client businesses to drive income growth of 5 to 7 per cent over the next three years, well above the anticipated rate of growth for the global economy. I am extremely pleased with the progress we have made since we made these commitments.

• In Corporate & Investment Banking (CIB), we said we are going to drive growth in high-returning businesses targeting an 8 to 10 per cent underlying income growth over the next three years in cross-border (network) business and from Financial Institutions clients, as well as Financing income. Leveraging the significant opportunities of supply chain shifts, with China, ASEAN, South Asia and the Middle East as epicentres, the team delivered 6 per cent growth (12 per cent excluding interest rate impact) in our cross-border (network) income. Almost one third of our cross border income is intra-Asia, with particularly strong growth in the China-to-ASEAN corridor, up 11 per cent. Financing and underlying Financial Institutions income grew 12 per cent and 6 per cent respectively during the first half of the year

• In WRB, we said we will build on our strengths in the Affluent client business, and in the first six months of the year, the team has attracted $23 billion of Affluent net new money, which is great progress against our $80 billion three-year target. We are also focusing on accelerating growth in international clients in our wealth hubs, with 296,000 at the end of the first half, making good progress towards our target of more than 375,000 by 2026. We are also growing the Affluent client business through up-tiering our clients across the wealth continuum, with 155,000 clients up-tiered in the first six months of the year

• For Ventures, we said we will deliver profitability and drive returns accretion targeting for the overall segment to be RoTE accretive by 2026. In Mox, our digital bank in Hong Kong, we now have around 600,000 customers, with income for the first six months of the year up almost 20 per cent. While in Trust, our digital bank in Singapore, we have increased the number of customers to around 800,000 and we are aiming for Trust to become the fourth largest retail bank, by customer numbers, in Singapore by the end of 2024. In SC Ventures, we have raised $55 million of external funds in the first six months of the year. We also recently established an office in the UAE, to engage the fintech and business innovation ecosystem in Abu Dhabi and the broader region and the broader region

Improving operational leverage through the Fit for Growth programme

We are taking actions to transform the way we operate, addressing structural inefficiencies and complexity through our three-year enterprise-wide Fit for Growth programme, that aims to simplify, standardise and digitise key elements of our business, setting the stage for accelerated growth.

This programme is targeting to save around $1.5 billion of expenses over the next three years, and we expect to incur a similar amount in terms of the cost to achieve these sustainable organisational and financial benefits, creating lasting capacity to reinvest in our growth.

Since its launch in February this year, we are progressing the programme at pace, having identified more than 200 individual projects as in-scope or being scoped. Around 50 per cent of these projects are in execution or ready to commence execution, with the plan to have all of them in execution by the end of this year.

These projects are well diversified, which will help to minimise concentration and execution risk, with around 80 per cent of the projects expected to deliver savings of less than $10 million individually.

Delivering substantial shareholder distributions

We remain committed to sharing our success with our shareholders and will continue to actively manage our capital position with this objective in mind. We are today announcing a further share buyback programme of $1.5 billion, to commence imminently. This new share buyback, and the interim dividend of 9 cents per share, up 50 per cent year-on-year, brings our total shareholder returns announced since the full year 2023 results to $2.7 billion, well on our way to our 2024 to 2026 target of at least $5 billion.

Strong progress to our sustainability goals

We continue to see strong momentum in our Sustainable Finance franchise, which is up 18 per cent year-on-year in the first six months of the year, and we remain on-track to deliver over a billion dollars in income by 2025, as planned. We have mobilised over $105 billion of sustainable finance since the beginning of 2021, making good progress as we advance towards our $300 billion target by 2030.

On the broader sustainability agenda, building on the good progress we made in 2023, and in line with our position statements, we have updated our approach to greenhouse gas emissions reduction by adding methane emissions resulting from client activities. We announced in May the commitment that by 2025 we will set a methane emission baseline and interim 2030 target.

We facilitate the movement of capital to where it is needed most, and where it can have the biggest societal impact. For instance, this year we launched an innovative Adaptation Trade Finance Facility to protect businesses against extreme weather events. We have also released the "Guide for Adaptation and Resilience Finance" in partnership with the United Nations Office for Disaster Risk Reduction (UNDRR) and KPMG, with input from over 30 other organisations.

Optimistic outlook for the markets in our footprint

Looking forward, we expect global growth of 3.1 per cent this year, with Asia set to remain the primary engine of global growth, expanding by 5.1 per cent in 2024 and 4.9 per cent in 2025. We expect Africa and the Middle East to grow faster in 2024 than in 2023, accelerating again in 2025.

We are uniquely positioned to take advantage of significant growth opportunities that will continue to come from the markets in our footprint, generating value for our clients and the communities in which we operate. Global trade and investment will continue to grow and is expected to be anchored in Asia, Africa and the Middle East (AME), and in Asia wealth creation is also expected to outpace that in the rest of world.

We have an unparalleled presence in 21 Asia markets, including all 10 ASEAN markets, as well as being one of the largest international banks in South Asia. We have a deep-rooted heritage in AME, where we are one of the largest international banks on the continent of Africa and have a significant presence across seven markets in the Middle East.

We will continue to invest in our core capabilities serving our clients' cross-border needs and with a particular focus on Affluent clients. These segments are fast-growing and high returning and returns on incremental investment are high.

Concluding remarks

We've delivered a strong financial performance in the first half of the year demonstrating the value of our franchise as a cross-border corporate and investment bank and a leading wealth manager for Affluent clients. We have also made very encouraging early progress against the key actions we laid out in February to drive sustainably higher returns.

Reflecting confidence in our performance and robust capital position, we are announcing our largest ever share buyback of $1.5 billion, bringing our total shareholder distributions announced since full-year 2023 results to $2.7 billion. We are also upgrading our guidance for income growth, which we now expect to be above 7 per cent in 2024.

Delivering strong income growth, combined with improving operational leverage through our Fit for Growth programme and maintaining our responsible approach to risk and capital, we continue to expect RoTE to increase steadily from 10 per cent in 2023, targeting 12 per cent in 2026 and to progress thereafter.

I believe we have the right strategy, business model and ambition to deliver our 2026 targets. My management team and I remain focused on delivering these targets while we create exceptional long-term value for the Group.

Finally, I would like to acknowledge the remarkable efforts of our colleagues for a strong start to the year. Their impressive dedication to our customers and the communities that we serve help to manifest our brand promise of here for good.

Bill Winters

Group Chief Executive

30 July 2024

Group Chief Financial Officer's review

The Group delivered a strong performance in the first six months of 2024

Summary of financial performance

	H1'24 $million	H1'23 $million	Change %	Constant currency change[1] %	Q2'24 $million	Q2'23 $million	Change %	Constant currency change[1] %	Q1'24 $million	Change %	Constant currency change[1] %
Underlying net interest income	4,979	4,777	4	5	2,560	2,436	5	6	2,419	6	6
Underlying non NII	4,979	4,174	19	22	2,246	2,119	6	9	2,733	(18)	(16)
Underlying operating income	9,958	8,951	11	13	4,806	4,555	6	7	5,152	(7)	(6)
Other operating expenses	(5,673)	(5,501)	(3)	(5)	(2,887)	(2,826)	(2)	(4)	(2,786)	(4)	(5)
UK bank levy	-	(3)	100	100	-	(3)	100	100	-	nm[3]	nm[3]
Underlying operating expenses	(5,673)	(5,504)	(3)	(5)	(2,887)	(2,829)	(2)	(4)	(2,786)	(4)	(5)
Underlying operating profit before impairment and taxation	4,285	3,447	24	26	1,919	1,726	11	13	2,366	(19)	(17)
Credit impairment	(249)	(172)	(45)	(52)	(73)	(146)	50	43	(176)	59	59
Other impairment	(143)	(63)	(127)	(118)	(83)	(63)	(32)	(27)	(60)	(38)	(40)
Profit from associates and											

joint ventures	64	94	(32)	(32)	65	83	(22)	(23)	(1)	nm[3]	nm[3]
Underlying profit before taxation	3,957	3,306	20	21	1,828	1,600	14	15	2,129	(14)	(12)
Restructuring	(150)	56	nm[3]	nm[3]	(95)	8	nm[3]	nm[3]	(55)	(73)	(76)
DVA	(26)	(39)	33	32	22	(93)	124	124	(48)	146	146
Other items	(289)	-	nm[3]	nm[3]	(177)	-	nm[3]	nm[3]	(112)	(58)	(59)
Reported profit before taxation	3,492	3,323	5	6	1,578	1,515	4	5	1,914	(18)	(16)
Taxation	(1,123)	(938)	(20)	(24)	(604)	(474)	(27)	(37)	(519)	(16)	(20)
Profit for the year	2,369	2,385	(1)	-	974	1,041	(6)	(8)	1,395	(30)	(29)
Net interest margin (%)[2]	1.85	1.67	18		1.93	1.71	22		1.76	17	
Underlying return on tangible equity (%)[2]	14.0	12.0	200		12.9	12.1	79		15.2	(231)	
Underlying earnings per share (cents)	98.5	75.0	31		45.5	37.3	22		52.9	(14)	

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

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

3 Not meaningful

Reported financial performance summary

	H1'24 $million	H1'23 $million	Change %	Constant currency change[1] %	Q2'24 $million	Q2'23 $million	Change %	Constant currency change[1] %	Q1'24 $million	Change %	Constant currency change[1] %
Net interest income	3,175	3,984	(20)	(19)	1,603	1,978	(19)	(18)	1,572	2	3
Non NII	6,616	5,143	29	32	3,058	2,589	18	21	3,558	(14)	(13)
Reported operating income	9,791	9,127	7	9	4,661	4,567	2	4	5,130	(9)	(8)
Reported operating expenses	(6,056)	(5,668)	(7)	(9)	(3,059)	(2,918)	(5)	(7)	(2,997)	(2)	(3)
Reported operating profit before impairment and taxation	3,735	3,459	8	10	1,602	1,649	(3)	(1)	2,133	(25)	(23)
Credit impairment	(240)	(161)	(49)	(61)	(75)	(141)	47	40	(165)	55	55
Goodwill and Other impairment	(147)	(77)	(91)	(91)	(87)	(77)	(13)	(14)	(60)	(45)	(47)
Profit from associates and joint ventures	144	102	41	41	138	84	64	64	6	nm[3]	nm[3]
Reported profit before taxation	3,492	3,323	5	6	1,578	1,515	4	5	1,914	(18)	(16)
Taxation	(1,123)	(938)	(20)	(24)	(604)	(474)	(27)	(37)	(519)	(16)	(20)
Profit for the year	2,369	2,385	(1)	-	974	1,041	(6)	(8)	1,395	(30)	(29)
Reported return on tangible equity (%)[2]	11.9	11.9	-		10.4	10.8	(40)		13.5	(310)	
Reported earnings per share (cents)	83.3	75.6	10		36.7	34.8	5		46.5	(21)	

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

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

3 Not meaningful

The Group delivered a strong performance in the first half of 2024. Underlying operating income grew 13 per cent at constant currency to $10.0 billion and was up 10 per cent at constant currency excluding two notable items relating to gains on revaluation of FX positions in Egypt and hyperinflationary accounting adjustments in Ghana. Underlying net interest income (NII) was up 5 per cent at constant currency as the Group benefitted from the roll-off of short-term hedges and improved mix from Treasury activities. Underlying non net interest income (Non NII) increased 22 per cent or up 16 per cent at constant currency excluding the impact of the two notable items. The Group generated 8 per cent positive income-to-cost jaws at constant currency as expenses grew 5 per cent driven by inflation and continued investment into business growth initiatives. Credit impairment charges of $249 million were equivalent to an annualised loan-loss rate of 18 basis points and benefitted from sovereign upgrades. This resulted in an underlying profit before tax of $4.0 billion, up 21 per cent at constant currency.

The Group remains well capitalised and highly liquid with a diverse and stable deposit base. The liquidity coverage ratio of 148 per cent was 2 percentage points higher on the prior quarter, reflecting disciplined asset and liability management. The common equity tier 1 (CET1) ratio of 14.6 per cent is above the Group's target range, reflecting profit accretion and actions to lower risk-weighted assets (RWA). This capital strength has enabled the Board to announce an interim ordinary dividend of 9 cents per share, up 3 cents or 50 per cent, and announce a further $1.5 billion share buyback programme to commence imminently. This follows the recently completed $1 billion share buyback in the first half.

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2023 on a reported currency basis, unless otherwise stated.

- Underlying operating income of $10 billion was up 13 per cent or 10 per cent at constant currency excluding the benefit of two notable items. The double-digit growth was driven by a record performance in Wealth Solutions, strong pipeline execution in Global Banking, and the roll-off of short-term hedges within Treasury
- Underlying NII increased 4 per cent, or 5 per cent at constant currency, with a $207 million benefit from the roll-off the short-term hedges and Treasury optimisation actions partly offset by an accounting asymmetry resulting from Treasury management of FX positions and elevated deposit passthrough rates in Corporate & Investment Banking (CIB)
- Underlying non NII increased 19 per cent or 22 per cent at constant currency. Excluding two notable items booked respectively within Treasury and Other income, underlying non NII was up 16 per cent at constant currency driven by strong double-digit growth in both Wealth Solutions and Global Banking
- Underlying operating expenses excluding the UK bank levy increased 3 per cent or 5 per cent at constant currency largely driven by inflation and continued investment into business growth initiatives, including strategic hiring of Relationship Managers in Wealth & Retail Banking (WRB) and coverage bankers in CIB. Expenses in the second quarter benefitted from lower investment spend, and are expected to increase slightly in the second half of 2024. The Group generated 8 per cent positive income-to-cost jaws while the cost-to-income ratio improved 4 percentage points to 57 per cent
- Credit impairment was a charge of $249 million with $282 million in WRB, where charges have normalised following overlay releases in the first half of the prior year. Sovereign upgrades contributed to net releases in CIB and Central & Other items. There was a $20 million increase in the Ventures charge, albeit it continued to decline for the second successive quarter. The annualised loan-loss rate for the first half of the year was 18 basis points
- Other impairment charge of $143 million reflects the write-off of software assets with no impact on capital ratios
- Profit from associates and joint ventures decreased 32 per cent to $64 million for the first six months of the year, reflecting lower profits at China Bohai Bank
- Restructuring, DVA and Other items charges totalled $465 million. Restructuring of $150 million reflect the impact of actions to transform the organisation to improve productivity, partly offset by gains on the remaining Principal Finance portfolio. Other items of $289 million include $174 million related to the loss from the sale of Zimbabwe primarily from the recycling of FX translation losses from reserves into the income statement, with no impact on tangible equity or capital. There was also a $100 million charge booked for participation in a compensation scheme recommended by the Korean Financial Supervisory Service in respect of the Korea equity linked securities (ELS) portfolio. Movements in Debit Valuation Adjustment (DVA) were a negative $26 million

- Taxation was $1.1 billion on a reported basis with an underlying year-to-date effective tax rate of 30.1 per cent, up 1.7 per cent from 28.4 per cent in the first half of 2023, driven by increased deferred tax not recognised for UK losses, US tax adjustments and a change in the geographic mix of profits. This underlying effective tax rate is expected to continue into the second half of 2024
- Underlying return on tangible equity (RoTE) increased by 200 basis points to 14.0 per cent reflecting the increase in profits

Operating income by product

	H1'24	H1'23	Change	Constant currency change[1]	Q2'24	Q2'23	Change	Constant currency change[1]	Q1'24	Change	Constant currency change[1]
	$million	$million	%	%	$million	$million	%	%	$million	%	%

	$million	$million	%	%	$million	$million	%	%	$million	%	%
Transaction Services	3,220	3,192	1	2	1,605	1,620	(1)	-	1,615	(1)	-
Payments and Liquidity	2,300	2,242	3	3	1,139	1,148	(1)	(1)	1,161	(2)	(2)
Securities & Prime Services	294	272	8	10	153	131	17	19	141	9	9
Trade & Working Capital	626	678	(8)	(4)	313	341	(8)	(6)	313	-	2
Global Banking[2]	960	858	12	14	488	447	9	11	472	3	4
Lending & Financial Solutions	836	749	12	14	422	396	7	9	414	2	2
Capital Markets & Advisory	124	109	14	14	66	51	29	27	58	14	14
Global Markets[2]	1,837	1,799	2	5	796	877	(9)	(7)	1,041	(24)	(23)
Macro Trading	1,515	1,562	(3)	-	631	776	(19)	(17)	884	(29)	(28)
Credit Trading	332	237	40	46	165	116	42	46	167	(1)	(1)
Valuation & Other Adj	(10)	-	nm[3]	nm[3]	-	(15)	100	100	(10)	100	100
Wealth Solutions	1,234	1,006	23	25	618	495	25	27	616	-	1
Investment Products	868	695	25	27	444	343	29	32	424	5	5
Bancassurance	366	311	18	19	174	152	14	15	192	(9)	(9)
CCPL & Other Unsecured Lending	585	576	2	4	298	286	4	6	287	4	4
Deposits	1,816	1,684	8	9	908	881	3	4	908	-	-
Mortgages & Other Secured Lending	227	274	(17)	(14)	124	113	10	13	103	20	23
Treasury	13	(393)	103	104	(30)	(160)	81	95	43	(170)	(135)
Other	66	(45)	nm[3]	nm[3]	(1)	(4)	75	(100)	67	(101)	(100)
Total underlying operating income	9,958	8,951	11	13	4,806	4,555	6	7	5,152	(7)	(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 Banking and Markets products have been renamed to Global Banking and Global Markets respectively

3 Not meaningful

The operating income by product commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2023 on a constant currency basis, unless otherwise stated.

Transaction Services income increased 2 per cent. Payments and Liquidity was up by 3 per cent driven by higher volumes. This was partly offset by lower Trade & Working Capital income which decreased 4 per cent reflecting margin compression and lower volumes.

Global Banking income increased 14 per cent as Lending & Financial Solutions grew 14 per cent from strong pipeline execution which led to higher origination and distribution volumes. Capital Market & Advisory income was up 14 per cent.

Global Markets income increased 5 per cent with strong double-digit growth in Credit Trading and Commodities supporting a 7 per cent increase in flow income. This was partly offset by lower episodic income, primarily in FX and Rates, due to a non-repeat of the pockets of volatility which led to elevated client activity in the prior year.

Wealth Solutions income was up 25 per cent with broad-based growth across all products supported by new and innovative product launches, increased investment in Affluent Relationship Managers and continued strong new client onboarding levels. Net new sales more than doubled to $13 billion and Wealth AUM of $135 billion increased by 12 per cent since 31 December 2023.

CCPL & Other Unsecured Lending income was up 4 per cent with volume growth in both Personal Loans and Credit Cards.

Deposits income increased 9 per cent from higher volumes, and active passthrough rate management leading to increasing margins in a rising interest rate environment.

Mortgages & Other Secured Lending income was down 14 per cent on the back of lower mortgage volumes, particularly in Korea and Hong Kong, and margin compression, which in part reflects the impact of the Best Lending Rate cap in Hong Kong restricting the ability to reprice mortgages despite an increase in funding costs from higher interest rates.

Treasury income increased by $406 million benefitting from $151 million gain on revaluation of FX positions in Egypt and $207 million benefit from the roll-off of short-term hedges.

Other income of $66 million includes $107 million related to hyperinflationary accounting adjustments in Ghana partly offset by increased funding costs on non-financial assets from a rise in interest rates.

Profit before tax by client segment

	H1'24 $million	H1'23 $million	Change %	Constant currency change[1] %	Q2'24 $million	Q2'23 $million	Change %	Constant currency change[1] %	Q1'24 $million	Change %	Constant currency change[1] %
Corporate & Investment Banking	3,001	2,915	3	5	1,362	1,430	(5)	(4)	1,639	(17)	(16)
Wealth & Retail Banking	1,407	1,373	2	3	678	696	(3)	(2)	729	(7)	(7)
Ventures	(199)	(158)	(26)	(27)	(87)	(55)	(58)	(54)	(112)	22	24
Central & other items	(252)	(824)	69	68	(125)	(471)	73	76	(127)	2	23
Underlying profit before taxation	3,957	3,306	20	21	1,828	1,600	14	15	2,129	(14)	(12)

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

Corporate & Investment Banking (CIB) profit before taxation increased 5 per cent. Income grew 5 per cent with broad-based growth across Transaction Services, Global Markets, and in particular, double-digit growth in Global Banking. Expenses were 5 per cent higher, while credit impairment was a net release of $35 million. Other impairment of $104 million primarily related to the write-off of software assets.

Wealth & Retail Banking (WRB) profit before taxation increased 3 per cent. Income increased 10 per cent, with record income in Wealth Solutions, up 25 per cent, partly offset by lower Mortgage income. Expenses increased 6 per cent, and the credit impairment charge of $282 million was broadly in line with recent run rates and following a non-repeat of prior year overlay releases.

Ventures loss increased by $41 million to $199 million reflecting the Group's continued investment in transformational digital initiatives. Income was down by $9 million to $80 million from lower gains in SC Ventures compared to the prior period gains. Digital Banks income of $62 million increased 77 per cent. Expenses increased by $19 million whilst there was an impairment charge of $43 million, primarily from Mox albeit delinquency rates have improved.

Central & other items (C&O) recorded a loss of $252 million approximately one third of the prior period loss. Treasury income of $10 million increased by $415 million mostly from translation gains on the revaluation of FX positions in Egypt and the roll-off of the short-term hedges. Other products income of $5 million increased by $117 million primarily from hyperinflationary accounting adjustments relating to Ghana. Expenses decreased by $34 million and there was a credit impairment release of $41 million from sovereign-related exposures. Associates income reduced by $37 million, reflecting lower profits at China Bohai Bank.

Adjusted net interest income and margin

	H1'24 $million	H1'23 $million	Change[1] %	Q2'24 $million	Q2'23 $million	Change[1] %	Q1'24 $million	Change[1] %
Adjusted net interest income[2]	4,991	4,770	5	2,562	2,430	5	2,429	5
Average interest-earning assets	543,788	576,149	(6)	533,869	569,811	(6)	553,710	(4)
Average interest-bearing liabilities	537,608	537,549	-	538,054	536,142	-	537,161	-
Gross yield (%)[3]	5.25	4.49	76	5.32	4.61	71	5.18	14
Rate paid (%)[3]	3.44	3.02	42	3.36	3.08	28	3.52	(16)
Net yield (%)[3]	1.81	1.47	34	1.96	1.53	43	1.66	30
Net interest margin (%)[3,4]	1.85	1.67	18	1.93	1.71	22	1.76	17

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

2 Adjusted net interest income is reported 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

5 Not meaningful

Adjusted net interest income was up 5 per cent driven by an increase in the net interest margin, which averaged 185 basis points in the first half, increasing 18 basis points both year-on-year and compared to the prior half. The benefit from roll-off of the short-term hedges and Treasury optimisation was partly offset by an accounting asymmetry resulting from Treasury management of FX positions and elevated deposit passthrough rates in CIB.

Adjusted net interest income increased 5 per cent quarter-on-quarter with an $84 million uplift from an incremental two-month benefit from the short-term hedge roll-off, Treasury optimisation and a reduction in the accounting asymmetry resulting from Treasury management of FX positions. This was partly offset by the impact of elevated deposit passthrough rates in CIB

- Average interest-earning assets decreased 4 per cent on the prior quarter primarily due to a reduction in Treasury assets following on from an increase in demand for funding of trading book assets. The run down in both Treasury assets and low margin mortgages led to an improvement in the mix of assets. This, alongside roll-off of the short-term hedge contributed to gross yields increasing 14 basis points compared to the prior quarter to 532 basis points
- Average interest-bearing liabilities were broadly stable on the prior quarter as growth in WRB customer accounts was offset by lower Treasury and CIB balances. The rate paid on liabilities decreased 16 basis points compared with the average in the prior quarter, reflecting a reduction in Treasury accounting asymmetry and increase in the trading book funding cost adjustment

Credit risk summary

Income Statement (Underlying view)

	H1'24 $million	H1'23 $million	Change[1] %	Q2'24 $million	Q2'23 $million	Change[1] %	Q1'24 $million	Change[1] %
Total credit impairment charge/(release)[2]	249	172	45	73	146	(50)	176	(59)
Of which stage 1 and 2[2]	73	33	121	12	27	(56)	61	(80)
Of which stage 3[2]	176	139	27	61	119	(49)	115	(47)

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

2 Refer to Group Chief Risk Officer's section

Balance sheet

	30.06.24 $million	31.03.24 $million	Change[1] %	31.12.23 $million	Change[1] %	30.06.23 $million	Change[1] %
Gross loans and advances to customers[2]	280,893	288,643	(3)	292,145	(4)	295,508	(5)
Of which stage 1	264,249	272,133	(3)	273,692	(3)	277,711	(5)
Of which stage 2	10,005	9,520	5	11,225	(11)	10,110	(1)
Of which stage 3	6,639	6,990	(5)	7,228	(8)	7,687	(14)
Expected credit loss provisions	(4,997)	(5,240)	(5)	(5,170)	(3)	(5,371)	(7)
Of which stage 1	(480)	(478)	-	(430)	12	(451)	6
Of which stage 2	(362)	(359)	1	(420)	(14)	(400)	(10)
Of which stage 3	(4,155)	(4,403)	(6)	(4,320)	(4)	(4,520)	(8)
Net loans and advances to customers	275,896	283,403	(3)	286,975	(4)	290,137	(5)
Of which stage 1	263,769	271,655	(3)	273,262	(3)	277,260	(5)
Of which stage 2	9,643	9,161	5	10,805	(11)	9,710	(1)
Of which stage 3	2,484	2,587	(4)	2,908	(15)	3,167	(22)
Cover ratio of stage 3 before/after collateral (%)[3]	63/82	63/81	0/1	60/76	3/6	59/78	4/4
Credit grade 12 accounts ($million)	964	1,009	(4)	2,155	(55)	1,316	(27)
Early alerts ($million)	5,044	4,933	2	5,512	(8)	4,443	14
Investment grade corporate exposures (%)[3]	74	72	2	73	1	74	-

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

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $7,788 million at 30 June 2024, $11,290 million at 31 March 2024, $13,996 million at 31 December 2023 and $10,950 million at 30 June 2023

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

Asset quality remained resilient in the first half of 2024, with an improvement in a number of underlying credit metrics.

The Group continues to actively manage the credit portfolio while remaining alert to a volatile and challenging external environment, including increased geopolitical tensions, which has led to idiosyncratic stress in a select number of geographies and industry sectors.

Credit impairment was a charge of $249 million in the half, up $77 million year-on-year and representing an annualised loan-loss rate of 18 basis points. WRB charges have broadly normalised following the release of management overlays in the first half of the prior year and totalled $282 million, an increase of $174 million. There was a $43 million charge in Ventures, an increase of $20 million, primarily from Mox, albeit impairment charges have fallen for two successive quarters as credit criteria were adjusted after delinquency rates increased in the second half of last year. Sovereign upgrades were a net release of $54 million across CIB and C&O and were the primary contributor to the $41 million net release in C&O. CIB was a net release of $35 million as a low level of new impairment was more than offset by releases relating to historical provisions and sovereign upgrades. Included in CIB is a China commercial real estate sector charge of $8 million as additional stage 3 provisions were offset by $55 million in management overlay releases primarily as a result of repayments. The management overlay now totals $86 million and the Group has provided $1.2 billion in total in relation to the China commercial real estate sector.

Gross stage 3 loans and advances to customers of $6.6 billion were 8 per cent lower compared with 31 December 2023 as repayments, client upgrades, reduction in exposures and write-offs more than offset new inflows. Credit-impaired loans represent 2.4 per cent of gross loans and advances, a reduction of 11 basis points compared with 31 December 2023.

The stage 3 cover ratio of 63 per cent increased 3 percentage points compared with the position at 31 December 2023, and the cover ratio post collateral of 82 per cent increased by 6 percentage points, both increasing due to the decrease in gross stage 3 loans.

Credit grade 12 balances of $1.0 billion have decreased by $1.2 billion since 31 December 2023 and are broadly stable since 31 March 2024, reflecting both improvements into stronger credit grades and downgrades to stage 3, as well as the reversal of an existing $1 billion sovereign related exposure from reverse repurchase agreements to investment securities. Early alert accounts of $5.0 billion decreased by $0.6 billion due to net upgrades and exposure reductions relating to a select number of clients.

The proportion of investment grade corporate exposures has increased by 1 percentage point since 31 December 2023 to 74 per cent.

Restructuring, goodwill impairment and other items

	H1'24			H1'23		
	Restructuring $million	DVA $million	Other items $million	Restructuring $million	DVA $million	Other items $million
Operating income	48	(26)	(189)	215	(39)	-
Operating expenses	(283)	-	(100)	(164)	-	-
Credit impairment	9	-	-	11	-	-
Other impairment	(4)	-	-	(14)	-	-
Profit from associates and joint ventures	80	-	-	8	-	-
Profit/(loss) before taxation	(150)	(26)	(289)	56	(39)	-

The Group's reported 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 $150 million reflect the impact of actions to transform the organisation to improve productivity, primarily additional redundancy charges and technology related costs partly offset by profits on the remaining Principal Finance portfolio.

Other items charges of $289 million include $174 million from the sale of Zimbabwe primarily related to the recycling of FX translation losses from reserves into the income statement, which has no impact on tangible net asset value and capital; and a $100 million charge was booked in the first quarter related to the SCB Korea approved compensation scheme based on the Financial Supervisory Service guidelines . We have engaged with impacted customers and have already reached settlement with some customers under this scheme.

Movements in DVA were negative $26 million, driven by tightening of the Group's asset swap spreads on derivative liability exposures. The size of the portfolio subject to DVA did not change materially.

Balance sheet and liquidity

	30.06.24 $million	31.03.24 $million	Change[1] %	31.12.23 $million	Change[1] %	30.06.23 $million	Change[1] %
Assets							
Loans and advances to banks	45,231	39,698	14	44,977	1	44,602	1
Loans and advances to customers	275,896	283,403	(3)	286,975	(4)	290,137	(5)
Other assets	514,300	489,424	5	490,892	5	503,972	2
Total assets	835,427	812,525	3	822,844	2	838,711	-
Liabilities							
Deposits by banks	28,087	29,691	(5)	28,030	-	28,560	(2)
Customer accounts	468,157	459,386	2	469,418	-	469,567	-
Other liabilities	287,856	272,609	6	275,043	5	290,903	(1)
Total liabilities	784,100	761,686	3	772,491	2	789,030	(1)
Equity	51,327	50,839	1	50,353	2	49,681	3
Total equity and liabilities	835,427	812,525	3	822,844	2	838,711	-
Advances-to-deposits ratio (%)[2]	52.6%	54.3%		53.3%		53.6%	
Liquidity coverage ratio (%)	148%	146%		145%		164%	

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

2 The Group excludes $18,419 million held with central banks (31.03.24: $21,258 million, 31.12.23: $20,710 million, 30.06.23: $24,749 million) that has been confirmed as repayable at the point of stress. Advances exclude repurchase agreement and other similar secured lending of $7,788 million (31.03.24: $11,290 million and 31.12.23: $13,996 million) and include loans and advances to customers held at fair value through profit or loss of $6,877 million (31.03.24: $7,950 million and 31.12.23: $7,212 million). Deposits include customer accounts held at fair value through profit or loss of $19,850 million (31.03.24: $17,595 million and 31.12.23: $17,248 million)

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

- Loans and advances to customers decreased 4 per cent since 31 December 2023 to $276 billion and were up $5 billion or 2 per cent on an underlying basis with growth in CIB mostly from higher origination volumes in Global Banking, and short-term structured loans in Global Markets. WRB balances reduced as an increase in Wealth Lending was more than offset by lower Mortgage balances as the Group reduced the number of new mortgages written in markets experiencing an uneconomic pricing environment. The underlying increase excludes the impact of a $10 billion reduction from Treasury and securities based loans held to collect and a $6 billion reduction from currency translation

- Customer accounts of $468 billion were broadly flat since 31 December 2023 but increased an underlying 1 per cent excluding the impact of currency translation. An increase in WRB Time Deposits and Ventures was partly offset by a reduction in Transaction Services CASA

- Other assets increased 5 per cent or $23 billion from 31 December 2023, with a $35 billion increase in financial assets held at fair value through profit or loss, primarily in relation to the trading book. This was partly offset by a $9 billion reduction in investment securities fair valued through other comprehensive income and $6 billion decrease in cash and balances held at central banks

- Other liabilities increased 5 per cent or $13 billion from 31 December 2023, with a $14 billion increase in financial liabilities held at fair value through profit or loss primarily in repurchase agreements and short positions as well as a $5 billion increase in unsettled trades and other financial liabilities. This was partly offset by a $5 billion reduction in derivative balances and a $5 billion reduction in repurchase agreements and other similar secured borrowing booked at amortised cost

The advances-to-deposits ratio decreased to 52.6 per cent from 53.3 per cent at 31 December 2023 reflecting the reduction in loans and advances to customers. The point-in-time liquidity coverage ratio increased to 148 per cent and remains well above the minimum regulatory requirement.

Risk-weighted assets

	30.06.24 $million	31.03.24 $million	Change[1] %	31.12.23 $million	Change[1] %	30.06.23 $million	Change[1] %
By risk type							

Credit risk	185,004	193,009	(4)	191,423	(3)	197,151	(6)
Operational risk	29,479	29,805	(1)	27,861	6	27,861	6
Market risk	27,443	29,302	(6)	24,867	10	24,105	14
Total RWAs	241,926	252,116	(4)	244,151	(1)	249,117	(3)

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

Total risk-weighted assets (RWA) decreased 1 per cent or $2.2 billion since 31 December 2023 to $241.9 billion.

- Credit risk RWA decreased $6.4 billion to $185.0 billion, from improved asset quality including sovereign upgrades, optimisation initiatives and FX translation
- Operational risk RWA increased by $1.6 billion reflecting an increase in average income as measured over a rolling three-year time horizon, with higher 2023 income replacing lower 2020 income, partly offset by a reduction in the second quarter from a regulatory waiver granted to exclude the impact of the disposed Aviation business
- Market risk RWA increased by $2.6 billion to $27.4 billion since 31 December 2023 as RWA was deployed to help clients capture opportunities in Markets, partly offset by reductions from methodology changes related to our Internal Model Approach

Capital base and ratios

	30.06.24 $million	31.03.24 $million	Change[1] %	31.12.23 $million	Change[1] %	30.06.23 $million	Change[1] %
CET1 capital	35,418	34,279	3	34,314	3	34,896	1
Additional Tier 1 capital (AT1)	6,484	6,486	-	5,492	18	5,492	18
Tier 1 capital	41,902	40,765	3	39,806	5	40,388	4
Tier 2 capital	11,667	11,773	(1)	11,935	(2)	12,281	(5)
Total capital	53,569	52,538	2	51,741	4	52,669	2
CET1 capital ratio (%)[2]	14.6	13.6	1.0	14.1	0.5	14.0	0.6
Total capital ratio (%)[2]	22.1	20.8	1.3	21.2	0.9	21.1	1.0
Leverage ratio (%)[2]	4.8	4.8	-	4.7	0.1	4.8	-

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 14.6 per cent increased 59 basis points since 31 December 2023 and remains 4.1 percentage points above the Group's latest regulatory minimum of 10.6 per cent. Underlying profit accretion was partly offset by shareholder distributions.

As well as the 99 basis points of CET1 accretion from underlying profits, there was a further 26 basis points uplift primarily from fair value gains on other comprehensive income and regulatory capital adjustments.

The Group spent $1 billion purchasing 113.3 million ordinary shares of $0.50 each during the first half, representing a volume-weighted average price per share of £6.97. These shares were subsequently cancelled, reducing the total issued share capital by 4 per cent and the CET1 ratio by approximately 40 basis points. The Group is accruing a provisional interim 2024 ordinary share dividend over the first half of 2024, which is calculated formulaically at one-third of the ordinary dividend paid in 2023 or 9 cents a share. This, combined with payments due to AT1 and preference shareholders reduced the CET1 ratio by 19 basis points.

The Board has decided to carry out a share buyback commencing imminently for up to a maximum consideration of $1.5 billion to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buyback will be announced and it is expected to reduce the Group's CET1 ratio in the third quarter of 2024 by approximately 60 basis points.

The Group's UK leverage ratio of 4.8 per cent increased 7 basis points compared with the ratio at 31 December 2023 and remains significantly above its minimum requirement of 3.8 per cent.

Outlook

We are upgrading our 2024 income guidance while all other key points of guidance remain unchanged:

- Operating income to increase above 7 per cent in 2024 at constant currency, excluding the two notable items
- Net interest income for 2024 of $10 billion to $10.25 billion, at constant currency
- Positive income-to-cost jaws, excluding UK bank levy, at constant currency in 2024
- Low single-digit percentage growth in underlying loans and advances to customers and RWA in 2024
- Continue to expect loan-loss ratio to normalise towards the historical through the cycle 30 to 35 basis points range
- Continue to operate dynamically within the full 13-14 per cent CET1 ratio target range
- Continue to increase full-year dividend per share over time
- RoTE increasing steadily from 10 per cent, targeting 12 per cent in 2026 and to progress thereafter

Diego De Giorgi

Group Chief Financial Officer

30 July 2024

Supplementary financial information

Underlying performance by client segment

	H1'24				
	Corporate & Investment Banking $million	Wealth & Retail Banking $million	Ventures $million	Central & other items $million	Total $million
Operating income	5,991	3,872	80	15	9,958
External	5,018	1,749	80	3,111	9,958
Inter-segment	973	2,123	-	(3,096)	-
Operating expenses	(2,921)	(2,156)	(230)	(366)	(5,673)
Operating profit/(loss) before impairment losses and taxation	3,070	1,716	(150)	(351)	4,285
Credit impairment	35	(282)	(43)	41	(249)
Other impairment	(104)	(27)	-	(12)	(143)
Profit from associates and joint ventures	-	-	(6)	70	64
Underlying profit/(loss) before taxation	3,001	1,407	(199)	(252)	3,957
Restructuring	(59)	(51)	(1)	(39)	(150)
DVA	(26)	-	-	-	(26)
Other items	-	(100)	-	(189)	(289)
Reported profit/(loss) before taxation	2,916	1,256	(200)	(480)	3,492
Total assets	443,442	122,846	5,280	263,859	835,427
Of which: loans and advances to customers	190,298	120,277	1,110	24,022	335,707
loans and advances to customers	130,496	120,268	1,110	24,022	275,896
loans held at fair value through profit or loss (FVTPL)[1]	59,802	9	-	-	59,811
Total liabilities	467,875	208,565	4,347	103,313	784,100
Of which: customer accounts[1]	315,767	204,154	4,046	8,295	532,262

Of which: customer accounts	315,767	204,154	4,046	8,295	532,262
Risk-weighted assets	149,133	52,459	2,129	38,205	241,926
Income return on risk-weighted assets (%)	8.1	14.8	8.3	0.1	8.1
Underlying return on tangible equity (%)	21.0	27.8	nm[2]	(16.9)	14.0
Cost-to-income ratio (%)	48.8	55.7	nm[2]	nm[2]	57.0

	H1'23				
	Corporate & Investment Banking $million	Wealth & Retail Banking $million	Ventures $million	Central & other items $million	Total $million
Operating Income	5,823	3,556	89	(517)	8,951
External	4,569	2,154	89	2,139	8,951
Inter-segment	1,254	1,402	-	(2,656)	-
Operating Expenses	(2,818)	(2,075)	(211)	(400)	(5,504)
Operating profit/(loss) before impairment losses and taxation	3,005	1,481	(122)	(917)	3,447
Credit impairment	(69)	(108)	(23)	28	(172)
Other impairment	(21)	-	-	(42)	(63)
Profit from associates and joint ventures	-	-	(13)	107	94
Underlying profit/(loss) before taxation	2,915	1,373	(158)	(824)	3,306
Restructuring	73	(16)	(1)	-	56
DVA	(39)	-	-	-	(39)
Reported profit/(loss) before taxation	2,949	1,357	(159)	(824)	3,323
Total assets	401,001	129,660	3,076	304,974	838,711
Of which: loans and advances to customers	174,214	127,039	947	33,623	335,823
loans and advances to customers	128,548	127,020	947	33,622	290,137
loans held at fair value through profit or loss (FVTPL)[1]	45,666	19	-	1	45,686
Total liabilities	490,697	190,690	2,317	105,326	789,030
Of which: customer accounts[1]	333,584	185,741	2,072	8,394	529,791
Risk-weighted assets	147,258	50,664	1,925	49,270	249,117
Income return on risk-weighted assets (%)	8.0	14.1	13.0	(2.1)	7.3
Underlying return on tangible equity (%)	20.8	28.2	nm[2]	(25.6)	12.0
Cost-to-income ratio (%)	48.4	58.4	nm[2]	nm[2]	61.5

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

2 Not meaningful

Corporate & Investment Banking

	H1'24 $million	H1'23 $million	Change[2] %	Constant currency change[1,2] %	Q2'24 $million	Q2'23 $million	Change[2] %	Constant currency change[1,2] %	Q1'24 $million	Change[2] %	Constant currency change[1,2] %
Operating income	5,991	5,823	3	5	2,876	2,931	(2)	(1)	3,115	(8)	(7)
Transaction Services	3,196	3,169	1	2	1,593	1,608	(1)	-	1,603	(1)	-
Payments and Liquidity	2,300	2,242	3	3	1,139	1,148	(1)	(1)	1,161	(2)	(2)
Securities & Prime Services	294	272	8	10	153	131	17	19	141	9	9
Trade & Working Capital	602	655	(8)	(4)	301	329	(9)	(6)	301	-	2
Global Banking[3]	960	858	12	14	488	447	9	11	472	3	4
Lending & Financial Solutions	836	749	12	14	422	396	7	9	414	2	2
Capital Markets & Advisory	124	109	14	14	66	51	29	27	58	14	14
Global Markets[3]	1,837	1,799	2	5	796	877	(9)	(7)	1,041	(24)	(23)
Macro Trading	1,515	1,562	(3)	-	631	776	(19)	(17)	884	(29)	(28)
Credit Trading	332	237	40	46	165	116	42	46	167	(1)	(1)
Valuation & Other Adj	(10)	-	nm	nm	-	(15)	100	100	(10)	100	100
Deposits	-	1	(100)	(100)	-	1	(100)	nm	-	nm	nm
Other	(2)	(4)	50	50	(1)	(2)	50	50	(1)	-	-
Operating expenses	(2,921)	(2,818)	(4)	(5)	(1,498)	(1,403)	(7)	(8)	(1,423)	(5)	(6)

Operating expenses	(2,921)	(2,818)	(4)	(5)	(1,498)	(1,403)	(7)	(8)	(1,423)	(5)	(6)
Operating profit before impairment losses and taxation	3,070	3,005	2	4	1,378	1,528	(10)	(9)	1,692	(19)	(18)
Credit impairment	35	(69)	151	149	35	(77)	145	156	-	nm	nm
Other impairment	(104)	(21)	nm	nm	(51)	(21)	(143)	(122)	(53)	4	4
Underlying profit before taxation	3,001	2,915	3	5	1,362	1,430	(5)	(4)	1,639	(17)	(16)
Restructuring	(59)	73	(181)	(198)	(48)	34	nm	nm	(11)	nm	nm
DVA	(26)	(39)	33	32	22	(93)	124	124	(48)	146	146
Reported profit before taxation	2,916	2,949	(1)	1	1,336	1,371	(3)	(1)	1,580	(15)	(15)
Total assets	443,442	401,001	11	12	443,442	401,001	11	12	415,090	7	7
Of which: loans and advances to customers[4]	190,298	174,214	9	11	190,298	174,214	9	11	190,083	-	1
Total liabilities	467,875	490,697	(5)	(4)	467,875	490,697	(5)	(4)	450,072	4	4
Of which: customer accounts[4]	315,767	333,584	(5)	(5)	315,767	333,584	(5)	(5)	310,079	2	2
Risk-weighted assets	149,133	147,258	1	nm	149,133	147,258	1	nm	150,600	(1)	nm
Income return on risk-weighted assets (%)[5]	8.1	8.0	10bps	nm	7.7	8.1	(40)bps	nm	8.5	(80)bps	nm
Underlying return on tangible equity (%)[5]	21.0	20.8	20bps	nm	18.9	20.4	(150)bps	nm	23.0	(410)bps	nm
Cost-to-income ratio (%)[6]	48.8	48.4	-	-	52.1	47.9	(4.2)	(4.3)	45.7	(6.4)	(2.2)

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 Banking and Markets products have been renamed to Global Banking and Global Markets respectively

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

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

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

7 Not meaningful

Performance highlights

- Underlying profit before tax of $3,001 million was up 5 per cent at constant currency (ccy) driven by higher income and, lower credit impairment, partly offset by higher operating expenses and other impairment
- Underlying operating income of $5,991 million increased 5 per cent at ccy, driven by strong double-digit growth of 14 per cent growth in Global Banking from higher origination and distribution volumes. Global Markets was up 5 per cent, despite a strong comparator in Q2'24, driven by robust client flow incomes. Transaction services income increased 2 per cent, within which Payments and Liquidity income was up 3 per cent benefiting from elevated rates and volumes and Securities & Prime Services income increased 10 per cent, mainly driven by higher custody, funds and prime brokerage fees. This was partly offset by lower Trade & Working Capital income which decreased by 4 percent reflecting margin compression
- Underlying operating expenses increased 5 per cent at ccy largely due to inflation and investment in business growth initiatives including strategic hiring of coverage bankers

- Credit impairment was a net release of $35 million, as a low level of new impairment was more than offset by releases relating to historical provisions and sovereign upgrades. Other impairment was primarily related to the write-off of software assets
- Loans and Advances to customers increased by 2 per cent at ccy since 31 December 2023, mainly driven by Global Banking due to higher origination and distribution volumes
- Risk-weighted assets (RWA) of $149 billion were up $7 billion since 31 December 2023, mainly from asset growth and mix, increased market risk RWA and mechanically higher operational risk RWA

• Underlying RoTE of 21 per cent was broadly flat to H1'23

Wealth & Retail Banking

	H1'24 $million	H1'23 $million	Change[2] %	Constant currency change[1,2] %	Q2'24 $million	Q2'23 $million	Change[2] %	Constant currency change[1,2] %	Q1'24 $million	Change[2] %	Constant currency change[1,2] %
Operating income	3,872	3,556	9	10	1,955	1,784	10	11	1,917	2	2
Transaction Services	24	23	4	4	12	12	-	-	12	-	-
Trade & Working Capital	24	23	4	4	12	12	-	-	12	-	-
Wealth Solutions	1,234	1,006	23	25	618	495	25	27	616	-	1
Investment Products	868	695	25	27	444	343	29	32	424	5	5
Bancassurance	366	311	18	19	174	152	14	15	192	(9)	(9)
CCPL & Other Unsecured Lending	530	539	(2)	1	270	264	2	5	260	4	4
Deposits	1,834	1,703	8	8	917	890	3	4	917	-	-
Mortgages & Other Secured Lending	227	274	(17)	(14)	124	113	10	13	103	20	23
Other	23	11	109	100	14	10	40	40	9	56	75
Operating expenses	(2,156)	(2,075)	(4)	(6)	(1,109)	(1,042)	(6)	(8)	(1,047)	(6)	(7)
Operating profit before impairment losses and taxation	1,716	1,481	16	16	846	742	14	15	870	(3)	(3)
Credit impairment	(282)	(108)	(161)	(169)	(146)	(46)	nm	nm	(136)	(7)	(7)
Other impairment	(27)	-	nm	nm	(22)	-	nm	nm	(5)	nm	nm
Underlying profit/(loss) before taxation	1,407	1,373	2	3	678	696	(3)	(2)	729	(7)	(7)
Restructuring	(51)	(16)	nm	(174)	(32)	(14)	(129)	(129)	(19)	(68)	(60)
Other items[3]	(100)	-	nm	nm	-	-	nm	nm	(100)	100	100
Reported profit/(loss) before taxation	1,256	1,357	(7)	(7)	646	682	(5)	(5)	610	6	6
Total assets	122,846	129,660	(5)	(4)	122,846	129,660	(5)	(4)	124,456	(1)	(1)
Of which: loans and advances to customers[4]	120,277	127,039	(5)	(4)	120,277	127,039	(5)	(4)	122,089	(1)	(1)
Total liabilities	208,565	190,690	9	10	208,565	190,690	9	10	201,870	3	4
Of which: customer accounts[4]	204,154	185,741	10	11	204,154	185,741	10	11	197,121	4	4
Risk-weighted assets	52,459	50,664	4	nm	52,459	50,664	4	nm	52,706	-	nm
Income return on risk-weighted assets (%)[5]	14.8	14.1	70bps	nm	14.9	14.1	80bps	nm	14.7	20bps	nm
Underlying return on tangible equity (%)[5]	27.8	28.2	(40)bps	nm	26.8	28.3	(150)bps	nm	28.8	(200)bps	nm
Cost-to-income ratio (%)[6]	55.7	58.4	2.7	2.2	56.7	58.4	1.7	1.4	54.6	(2.1)	(2.3)

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 Other items include $100m charge relating to Korea ELS

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

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

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

7 Not meaningful

Performance highlights

• Underlying profit before tax of $1,407 million was up 3 per cent at constant currency (ccy) mainly driven by higher income partly offset by higher operating expenses and credit impairment

- Underlying operating income of $3,872 million was up 10 per cent at ccy, driven by Wealth Solutions, up 25 per cent from increased investment in Affluent Relationship Managers, continued momentum in Affluent new to bank client onboarding and positive net new sales of $13 billion. Deposits income increased 8 per cent from higher volumes and active passthrough rate management leading to increasing margins in a rising interest rate environment. This was partly offset by lower Mortgage income which was down 14 per cent largely due to lower mortgage volumes particularly in Korea and Hong Kong and margin compression
- Underlying operating expenses increased 6 per cent at ccy, mainly from inflation and investment in business growth initiatives including strategic hiring of Affluent relationship managers
- Credit impairment charge of $282 million up $174 million, has broadly normalised following the release of management overlays in the first half of the prior year
- Loans and advances to customers decreased by 2 per cent at ccy since 31 December 2023, mainly driven by lower Mortgages particularly in Hong Kong and Korea
- Customer accounts increased 6 per cent at ccy since 31 December 2023
- Underlying RoTE of 27.8 per cent was down 40 basis points

Ventures

	H1'24 $million	H1'23 $million	Change[2] %	Constant currency change[1,2] %	Q2'24 $million	Q2'23 $million	Change[2] %	Constant currency change[1,2] %	Q1'24 $million	Change[2] %	Constant currency change[1,2] %
Operating income	80	89	(10)	(10)	48	72	(33)	(32)	32	50	58
Of which: SCV	18	54	(67)	(67)	15	51	(71)	(69)	3	nm	nm
Of which: Digital Banks[6]	62	35	77	77	33	21	57	57	29	14	14
CCPL & Other Unsecured Lending	55	37	49	49	28	22	27	27	27	4	4
Deposits	(18)	(20)	10	10	(9)	(10)	10	10	(9)	-	-
Treasury	3	12	(75)	(67)	2	7	(71)	(57)	1	100	nm
Other	40	60	(33)	(35)	27	53	(49)	(49)	13	108	125
Operating expenses	(230)	(211)	(9)	(10)	(117)	(109)	(7)	(7)	(113)	(4)	(4)
Operating profit/(loss) before impairment losses and taxation	(150)	(122)	(23)	(24)	(69)	(37)	(86)	(84)	(81)	15	17
Credit impairment	(43)	(23)	(87)	(87)	(15)	(13)	(15)	(7)	(28)	46	46
Profit from associates and joint ventures	(6)	(13)	54	54	(3)	(5)	40	40	(3)	-	-
Underlying profit/(loss) before taxation	(199)	(158)	(26)	(27)	(87)	(55)	(58)	(54)	(112)	22	24
Restructuring	(1)	(1)	-	-	(1)	(1)	-	nm	-	nm	nm
Reported profit/(loss) before taxation	(200)	(159)	(26)	(27)	(88)	(56)	(57)	(55)	(112)	21	23
Total assets	5,280	3,076	72	79	5,280	3,076	72	79	4,916	7	11
Of which: loans and advances to customers[3]	1,110	947	17	17	1,110	947	17	17	1,024	8	8
Total liabilities	4,347	2,317	88	87	4,347	2,317	88	87	3,967	10	10
Of which: customer accounts[3]	4,046	2,072	95	95	4,046	2,072	95	95	3,694	10	10
Risk-weighted assets	2,129	1,925	11	nm	2,129	1,925	11	nm	2,084	2	nm
Income return on risk-weighted assets (%)[4]	8.3	13.0	(470)bps	nm	9.1	18.9	(980)bps	nm	7.2	190bps	nm
Underlying return on tangible equity (%)[4]	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Cost-to-income ratio (%)[5]	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

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

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

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

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

6 Digital Banks income includes Mox and Trust bank

7 Not meaningful

Performance highlights

- Underlying loss before tax increased $41 million to $199 million reflecting Group's continued investment in transformational digital initiatives. Income declined by 10 per cent to $80 million from $89 million, from lower gains in SC ventures compared to the prior period gains. Digital Banks (Mox & Trust) income increased by 77 per cent
- Operating expenses increased by 10 per cent due to inflation and investment in business growth initiatives
- Credit impairment increased from $23 million to $43 million primarily from charges in Mox, albeit delinquency rates have improved
- Loans and advances to customers of $1.1 billion increased 8 per cent since 31 December 2023 and consumer accounts of $4 billion increased 45 per cent, with strong growth in the two digital banks, Mox and Trust

Central & other items

	H1'24 $million	H1'23 $million	Change[2] %	Constant currency change[1,2] %	Q2'24 $million	Q2'23 $million	Change[2] %	Constant currency change[1,2] %	Q1'24 $million	Change[2] %	Constant currency change[1,2] %
Operating income	15	(517)	103	104	(73)	(232)	69	77	88	(183)	(174)
Treasury	10	(405)	102	103	(32)	(167)	81	94	42	(176)	(150)
Other	5	(112)	104	107	(41)	(65)	37	27	46	(189)	(185)
Operating expenses	(366)	(400)	9	3	(163)	(275)	41	36	(203)	20	16
Operating loss before impairment losses and taxation	(351)	(917)	62	60	(236)	(507)	53	57	(115)	(105)	(67)
Credit impairment	41	28	46	37	53	(10)	nm	nm	(12)	nm	nm
Other impairment	(12)	(42)	71	71	(10)	(42)	76	76	(2)	nm	nm
Profit from associates and joint ventures	70	107	(35)	(35)	68	88	(23)	(24)	2	nm	nm
Underlying loss before taxation	(252)	(824)	69	68	(125)	(471)	73	76	(127)	2	23
Restructuring	(39)	-	nm	nm	(14)	(11)	(27)	(29)	(25)	44	22
Other items	(189)	-	nm	nm	(177)	-	nm	nm	(12)	nm	nm
Reported loss before taxation	(480)	(824)	42	39	(316)	(482)	34	34	(164)	(93)	(71)
Total assets	263,859	304,974	(13)	(13)	263,859	304,974	(13)	(13)	268,063	(2)	(1)
Of which: loans and advances to customers[3]	24,022	33,623	(29)	(28)	24,022	33,623	(29)	(28)	25,725	(7)	(6)
Total liabilities	103,313	105,326	(2)	(2)	103,313	105,326	(2)	(2)	105,777	(2)	(2)
Of which: customer accounts[3]	8,295	8,394	(1)	(1)	8,295	8,394	(1)	(1)	10,610	(22)	(22)
Risk-weighted assets	38,205	49,270	(22)	nm	38,205	49,270	(22)	nm	46,726	(18)	nm
Income return on risk-weighted assets (%)[4]	0.1	(2.1)	220bps	nm	(0.7)	(1.9)	120bps	nm	0.7	(140)bps	nm
Underlying return on tangible equity (%)[4]	(16.9)	(25.6)	870bps	nm	(17.1)	(25.4)	830bps	nm	(16.7)	(40)bps	nm
Cost-to-income ratio (%) (excluding UK bank levy)[5]	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

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

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

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

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

6 Not meaningful

Performance highlights

- Underlying loss before tax of $252 million was just under third of the prior period loss from higher income coupled with lower operating expenses and impairments, being partially offset by Associate income, which reduced 35 per cent reflecting lower profits at China Bohai Bank
- Underlying operating income of $15 million was $532 million better year-on-year. Treasury income of $10 million increased by $415 million mostly from translation gains on the revaluation of FX positions in Egypt and the roll off of short term hedges

$415 million mostly from translation gains on the revaluation of FX positions in Egypt and the roll-off of short-term hedges.

Other income of $5 million increased by $117 million, primarily from hyperinflation accounting adjustments relating to Ghana

- Other items include $174m related to the loss on the sale of Zimbabwe primarily from the recycling of FX translation losses from reserves into the income statement with no impact to on tangible equity or capital

Underlying performance by key geography

	H1'24										
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	UAE $million	UK $million	US $million	Other[2] $million	Group $million
Operating income	2,303	556	664	298	1,302	657	447	136	596	2,999	9,958
Operating expenses	(992)	(348)	(441)	(167)	(627)	(440)	(217)	(480)	(346)	(1,615)	(5,673)
Operating profit/(loss) before impairment losses and taxation	1,311	208	223	131	675	217	230	(344)	250	1,384	4,285
Credit impairment	(93)	(19)	(87)	(19)	(20)	(7)	(1)	(5)	(1)	3	(249)
Other impairment	(12)	(1)	(4)	(1)	(8)	(6)	(3)	5	-	(113)	(143)
Profit from associates and joint ventures	-	-	72	-	-	-	-	(5)	-	(3)	64
Underlying profit/(loss) before taxation	1,206	188	204	111	647	204	226	(349)	249	1,271	3,957
Total assets employed	202,878	51,017	45,451	21,180	105,312	36,752	27,218	155,831	75,001	114,787	835,427
Of which: loans and advances to customers[1]	84,272	26,970	16,798	11,002	60,791	15,479	8,934	32,609	25,405	53,447	335,707
Total liabilities employed	191,631	42,224	36,588	19,000	110,318	28,004	20,411	106,861	66,564	162,499	784,100
Of which: customer accounts[1]	160,948	32,323	27,081	16,983	86,049	20,661	14,935	79,545	33,920	59,817	532,262

	H1'23										
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	UAE $million	UK $million	US $million	Other $million	Group $million
Operating income	2,091	582	593	288	1,263	627	421	185	452	2,449	8,951
Operating expenses	(962)	(359)	(439)	(165)	(606)	(420)	(200)	(425)	(324)	(1,604)	(5,504)
Operating profit/(loss) before impairment losses and taxation	1,129	223	154	123	657	207	221	(240)	128	845	3,447
Credit impairment	(110)	(23)	(35)	(31)	2	(3)	9	(7)	8	18	(172)
Other impairment	-	-	-	-	(1)	-	(1)	5	(3)	(63)	(63)
Profit from associates and joint ventures	-	-	105	-	-	-	-	-	-	(11)	94
Underlying profit/(loss) before taxation	1,019	200	224	92	658	204	229	(242)	133	789	3,306
Total assets employed	182,512	62,885	41,808	21,536	99,103	35,830	19,105	171,028	91,860	113,044	838,711
Of which: loans and advances to customers[1]	85,004	37,764	14,554	10,838	64,268	14,980	7,519	34,338	19,284	47,274	335,823
Total liabilities employed	170,945	53,204	34,064	20,448	103,381	27,937	16,742	132,756	84,648	144,905	789,030
Of which: customer accounts[1]	142,766	41,075	24,127	18,656	77,591	20,788	12,856	85,767	49,749	56,416	529,791

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

2 Other includes notable items of Egypt revaluation and Ghana hyperinflation

Quarterly underlying operating income by product

	Q2'24 $million	Q1'24 $million	Q4'23 $million	Q3'23 $million	Q2'23 $million	Q1'23 $million	Q4'22 $million	Q3'22 $million
Transaction Services	1,605	1,615	1,659	1,667	1,620	1,572	1,416	1,221
Payments and Liquidity	1,139	1,161	1,207	1,196	1,148	1,094	962	758
Securities & Prime Services	153	141	140	138	131	141	126	120
Trade & Working Capital	313	313	312	333	341	337	328	343
Global Banking[1]	488	472	400	447	447	411	400	459
Lending & Financial Solutions	422	414	358	393	396	353	366	410
Capital Market & Advisory	66	58	42	54	51	58	34	49
Global Markets[1]	796	1,041	534	716	877	922	662	907
Macro Trading	631	884	463	595	776	786	536	725
Credit Trading	165	167	92	122	116	121	123	163

Valuation & Other Adj	-	(10)	(21)	(1)	(15)	15	3	19
Wealth Solutions	618	616	412	526	495	511	358	454
Investment Products	444	424	298	364	343	352	266	330
Bancassurance	174	192	114	162	152	159	92	124
CCPL & Other Unsecured Lending	298	287	288	297	286	290	294	298
Deposits	908	908	933	953	881	803	833	640
Mortgages & Other Secured Lending	124	103	57	69	113	161	55	191
Treasury	(30)	43	(235)	(274)	(160)	(233)	(173)	(5)
Other	(1)	67	(24)	2	(4)	(41)	(80)	(27)
Total underlying operating income	4,806	5,152	4,024	4,403	4,555	4,396	3,765	4,138

1 Banking and Markets products have been renamed to Global Banking and Global Markets respectively

Earnings per ordinary share

	H1'24 $million	H1'23 $million	Change %	Q2'24 $million	Q2'23 $million	Change %	Q1'24 $million	Change %
Profit for the period attributable to equity holders	2,369	2,385	(1)	974	1,041	(6)	1,395	(30)
Non-controlling interest	9	3	200	1	6	(83)	8	(88)
Dividend payable on preference shares and AT1 classified as equity	(209)	(243)	14	(29)	(65)	55	(180)	84
Profit for the period attributable to ordinary shareholders	2,169	2,145	1	946	982	(4)	1,223	(23)
Items normalised:								
Restructuring	150	(56)	nm[3]	95	(8)	nm[3]	55	73
Other items[2]	100	-	nm[3]	-	-	nm[3]	100	nm[3]
DVA	26	39	(33)	(22)	93	nm[3]	48	nm[3]
Net loss on sale of Businesses	189	-	nm[3]	177	-	nm[3]	12	nm[3]
Tax on normalised items	(67)	-	nm[3]	(22)	(15)	(47)	(45)	51
Underlying profit/(loss)	2,567	2,128	21	1,174	1,052	12	1,393	(16)
Basic - Weighted average number of shares (millions)	2,605	2,839	(8)	2,578	2,818	(9)	2,632	(2)
Diluted - Weighted average number of shares (millions)	2,669	2,902	(8)	2,645	2,884	(8)	2,692	(2)
Basic earnings per ordinary share (cents)[1]	83.3	75.6	7.7	36.7	34.8	1.9	46.5	(9.8)
Diluted earnings per ordinary share (cents)[1]	81.3	73.9	7.4	35.8	34.0	1.8	45.4	(9.6)
Underlying basic earnings per ordinary share (cents)[1]	98.5	75.0	23.5	45.5	37.3	8.2	52.9	(7.4)
Underlying diluted earnings per ordinary share (cents)[1]	96.2	73.3	22.9	44.4	36.5	7.9	51.7	(7.3)

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

2 Charge relating to Korea ELS

3 Not meaningful

Return on Tangible Equity

	H1'24 $million	H1'23 $million	Change %	Q2'24 $million	Q2'23 $million	Change %	Q1'24 $million	Change %
Average parent company Shareholders' Equity	44,180	43,803	1	44,171	43,964	-	44,188	-
Less Preference share premium	(1,494)	(1,494)	-	(1,494)	(1,494)	-	(1,494)	-
Less Average intangible assets	(6,157)	(5,887)	(5)	(6,128)	(5,895)	4	(6,184)	1
Average Ordinary Shareholders' Tangible Equity	36,529	36,422	-	36,549	36,575	-	36,510	-
Profit/(loss) for the period attributable to equity holders	2,369	2,385	(1)	974	1,041	7	1,395	(30)
Non-controlling interests	9	3	200	1	6	nm[2]	8	(88)
Dividend payable on preference shares and AT1 classified as equity	(209)	(243)	14	(28)	(65)	(132)	(180)	84
Profit/(loss) for the period attributable to ordinary shareholders	2,169	2,145	1	947	982	4	1,223	(23)
Items normalised:								
Restructuring	150	(56)	nm[2]	95	(8)	nm[2]	55	73

Other items[1]	100	-	nm[2]	-	-	nm[2]	100	nm[2]
Net loss on sale of businesses	189	-	nm[2]	177	-	nm[2]	12	nm[2]
Ventures FVOCI unrealised gains/(losses) net of tax	(15)	43	nm[2]	(3)	52	nm[2]	(13)	77
DVA	26	39	(33)	(22)	93	nm[2]	48	nm[2]
Tax on normalised items	(67)	-	nm[2]	(22)	(15)	32	(45)	51
Underlying profit for the period attributable to ordinary shareholders	2,552	2,171	18	1,172	1,104	(6)	1,380	(15)
Underlying Return on Tangible Equity	14.0%	12.0%	200bps	12.9%	12.1%	80bps	15.2%	(230)bps
Reported Return on Tangible Equity	11.9%	11.9%	0bps	10.4%	10.8%	(40)bps	13.5%	(310)bps

1 Charge relating to Korea ELS

2 Not meaningful

Net Tangible Asset Value per Share

	30.06.24 $million	30.06.23 $million	Change %	31.12.23 $million	Change %	31.03.24 $million	Change %
Parent company shareholders' equity	44,413	43,803	1	44,445	-	43,929	1
Less Preference share premium	(1,494)	(1,494)	-	(1,494)	-	(1,494)	-
Less Intangible assets	(6,103)	(5,898)	(3)	(6,214)	2	(6,153)	1
Net shareholders tangible equity	36,816	36,411	1	36,737	-	36,282	1
Ordinary shares in issue, excluding own shares (millions)	2,550	2,797	(9)	2,637	(3)	2,610	(2)
Net Tangible Asset Value per share (cents)[1]	1,444	1,302	142	1,393	51	1,390	54

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

Underlying versus reported results reconciliations

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

Operating income by client segment

Reconciliation of underlying versus reported operating income by client segment set out in note 2 Segmental information.

Net interest income and Non NII

	H1'24				H1'23			
	Underlying $million	Restructuring $million	Adjustment for Trading book funding cost and Others $million	Reported $million	Underlying $million	Restructuring $million	Adjustment for Trading book funding cost and Others $million	Reported $million
Net interest income[1]	4,979	12	(1,816)	3,175	4,777	(7)	(786)	3,984
Non NII[1]	4,979	(179)	1,816	6,616	4,174	183	786	5,143
Total income	9,958	(167)	-	9,791	8,951	176	-	9,127

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

Profit before taxation (PBT)

Reconciliation of underlying versus reported PBT set out in note 2 Segmental information.

Profit before taxation (PBT) by client segment

Reconciliation of underlying versus reported PBT by client segment set out in note 2 Segmental information.

Return on tangible equity (RoTE)

	H1'24 $million	H1'23 $million
Average parent company Shareholders' Equity	44,180	43,803
Less Preference share premium	(1,494)	(1,494)
Less Average intangible assets	(6,157)	(5,887)
Average Ordinary Shareholders' Tangible Equity	36,529	36,422
Profit for the period attributable to equity holders	2,369	2,385
Non-controlling interests	9	3

Dividend payable on preference shares and AT1 classified as equity	(209)	(243)
Profit for the period attributable to ordinary shareholders	2,169	2,145
Items normalised:		
Restructuring	150	(56)
Net loss on sale of businesses	189	-
Ventures FVOCI unrealised gains/(losses) net of tax	(15)	43
DVA	26	39
Other Items[1]	100	-
Tax on normalised items	(67)	-
Underlying profit for the period attributable to ordinary shareholders	2,552	2,171
Underlying Return on Tangible Equity	14.0%	12.0%
Reported Return on Tangible Equity	11.9%	11.9%

1 Charge relating to Korea ELS

Net charge-off ratio

	30.06.24			30.06.23		
	Credit impairment (charge)/ release for the year/ period $million	Net average exposure $million	Net Charge-off Ratio %	Credit impairment (charge)/ release for the year/ period $million	Net average exposure $million	Net Charge-off Ratio %
Stage 1	46	312,091	(0.01)%	34	325,639	(0.01)%
Stage 2	(129)	10,015	1.29%	(115)	11,803	0.97%
Stage 3	(173)	2,715	6.37%	(144)	3,205	4.49%
Total exposure	(256)	324,821	0.08%	(225)	340,647	0.07%

Earnings per ordinary share (EPS)

	H1'24						
	Underlying $ million	Restructuring $ million	Net loss on sale of businesses $ million	Other Items[1] $ million	DVA $ million	Tax on normalised items $ million	Reported $ million
Profit for the year attributable to ordinary shareholders	2,567	(150)	(189)	(100)	(26)	67	2,169
Basic - Weighted average number of shares (millions)	2,605						2,605
Basic earnings per ordinary share (cents)	98.5						83.3

	H1'23						
	Underlying $ million	Restructuring $ million	Net gain on sale of businesses $ million	Other Items $ million	DVA $ million	Tax on normalised items $ million	Reported $ million
Profit for the year attributable to ordinary shareholders	2,128	56	-	-	(39)	-	2,145
Basic - Weighted average number of shares (millions)	2,839						2,839
Basic earnings per ordinary share (cents)	75.0						75.6

1 Charge relating to Korea ELS

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
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.

Average interest earning balance	Daily average of the interest earning assets and interest bearing liabilities balances excluding the daily average cash collateral balances in other assets and other liabilities that are related to the Global Markets trading book.
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
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	Reported interest income divided by average interest earning assets.
Income return on risk weighted assets (IRoRWA)	Annualised Income excluding Debit Valuation Adjustment as a percentage of Average RWA
Jaws	The difference between the rates of change in revenue and operating expenses. Positive jaws occurs when the percentage change in revenue is higher than, or less negative than, the corresponding rate for operating expenses.
Loan loss rate	Credit Impairment Profit & Loss on Loans & Advances to Banks & Customers over Average Loans and Advances to Banks and Customers.
Net charge-off ratio	The ratio of net credit impairment charge or release to average outstanding net loans and advances.
Net tangible asset value per share	Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net yield	Gross yield on average assets less rate paid on average liabilities.
NIM or Net interest margin	Reported net interest income adjusted for trading book funding cost, cash collateral and prime services on interest earning assets, divided by average interest-earning assets excluding financial assets measured at fair value through profit or loss.
Non NII	Reported Non NII is a sum of net fees and commission, net trading income and other operating income
RAR per FTE or Risk adjusted revenue per full-time equivalent	Risk adjusted revenue (RAR) is defined as underlying operating income less underlying impairment revenue per full-time equivalent 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	Reported interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.
RoE or Return on equity	The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value movements through other comprehensive income relating to the Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.
RoTE or Return on ordinary shareholders' tangible equity	The ratio of the current year's profit available for distribution to ordinary shareholders to the average tangible equity, being ordinary shareholders' equity less the average 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.
Underlying net interest income	Reported net interest income normalised to an underlying basis adjusted for trading book funding cost and financial guarantee Fees on interest earning assets.

Underlying/Normalised	A performance measure is described as underlying/normalised if the statutory result has been adjusted for restructuring and other items representing profits or losses of a capital nature; DVA; amounts consequent to investment transactions driven by strategic intent, excluding amounts consequent to Ventures transactions, as these are considered part of the Group's ordinary course of business; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. Restructuring includes impacts to profit or loss from businesses that have been disclosed as no longer part of the Group's ongoing business, redundancy costs, costs of closure or relocation of business locations, impairments of assets and other costs which are not related to the Group's ongoing business. Restructuring in this context is not the same as a restructuring provision as defined in IAS 37. A reconciliation between underlying/normalised and statutory performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such: • Operating income • Operating expense • Profit before tax • Earnings per share (basic and diluted) • Cost-to-income ratio • Jaws • RoTE or Return on tangible equity
Underlying Non NII	Reported Non NII normalised to an underlying basis adjusted for trading book funding cost and financial guarantee Fees on interest earning assets. In prior periods Underlying Non NII

	was described as underlying other income
Underlying RoTE	The ratio of the current year's underlying profit attributable to ordinary shareholders plus fair value on OCI equity movement relating to Ventures segment to the weighted average tangible equity, being ordinary shareholders' equity less the intangible assets for the reporting period.

Group Chief Risk Officer's review

"Proactively managing our risks whilst keeping our focus on the Group's strategy"

Managing Risks

The first half of 2024 continues to see a world in flux presenting several challenges across many of our markets. The market expectation of interest rate cuts in 2024 has reduced, as the Federal Reserve cited that inflation levels are still above target levels, and in several Asian countries interest rates have increased to respond to challenges accompanied by higher US rates and weaker local currencies. Inflation has yet to decline significantly in many countries, and central banks are wary that maintaining high rates for too long may risk damaging economic activity. Given the challenging geopolitical and macroeconomic environment, we continue to monitor sovereign risks across emerging markets in Asia, Africa and the Middle East.

Political risks in 2024 have increased with over 70 elections taking place, potentially impacting both foreign and domestic policy. The US presidential election will be particularly consequential for the balance of power in the international system and could create uncertainty over the future of US involvement in multilateral initiatives. For the regions in conflict, the Group has limited direct exposure across Corporate and Investment Banking and Wealth and Retail Banking to Ukraine and to the countries in the Middle East which are most impacted by conflict.

We have been vigilant in managing these risks through proactive reviews of our exposure and limits across our portfolios to identify vulnerable industries and clients for closer monitoring. We also continue to monitor the impact of continued high interest rates and the effects of inflation across our risks, and we take proactive steps to further strengthen our risk management. In China in particular, the property market recovery remained slower than expected amidst government support measures, and we continued to monitor our developers and sponsors portfolios through dedicated reviews. We remain vigilant on the challenges in the real estate sector globally and any contagion risks.

Further details on other risks and uncertainties which we are monitoring can be found in the 'Topical and Emerging Risks' section.

Corporate and Investment Banking (CIB)

Our CIB credit portfolio remained resilient with overall good asset quality, as evidenced by our largely investment grade corporate portfolio (30 June 2024: 74 per cent; 31 December 2023: 73 per cent). In consideration of the above challenges, additional stress tests and portfolio reviews have been conducted in the first half of 2024, including examining the impact of oil price fluctuations and sustained high interest rate levels. We closely monitored vulnerable sectors and identified clients that may face difficulties on account of increased interest rates, foreign exchange movements, commodity volatility or increased prices of essential goods.

Wealth and Retail Banking (WRB)

The uncertainties around the prolonged higher interest rate environment in our major markets remain a key focus, but the credit portfolios have continued to demonstrate resilience. Sluggish consumer confidence in China and underperforming residential property markets in Hong Kong and Korea also present challenges. For our consumer credit portfolios, we have continued to monitor customer affordability and have dynamically adjusted origination criteria, portfolio management and collections strategies, as appropriate. We were mindful of the higher credit risk associated with increased lending to the mass market segment through our digital partnerships and digital banks, and have tailored our lending criteria and portfolio management approach to the unique risks and customer behaviours observed in these segments.

Treasury Risk

Our liquidity and capital risks are managed to ensure a strong and resilient balance sheet that supports sustainable growth. We continued to enhance our Treasury Risk framework to incorporate the lessons from the 2023 market events. Liquidity remained resilient across the Group and major legal entities. Group liquidity coverage ratio (LCR) was 148 per cent as at June 2024 (31 December 2023: 145 per cent) with a surplus to both Risk Appetite and regulatory requirements. CET1 ratio was 14.6 per cent as at June 2024 (31 December 2023: 14.1 per cent) whilst the Leverage ratio was 4.8 per cent (31 December 2023: 4.7 per cent). Market conditions have been stable during 2024 across our markets.

Further details on managing Liquidity and Funding Risk and Interest Rate Risk in the Banking Book can be found in the respective sections.

Risk Performance Summary

Asset quality is resilient. The percentage of investment-grade corporate net exposure remained high at 74 per cent (31 December 2023: 73 per cent). In H1 2024, we saw a $0.5 billion reduction in Early Alerts exposure to $5 billion (31 December 2023: $5.5 billion), reflecting outflows due to improved credit outlook and exposure reductions. Credit grade 12 balances reduced by $1.2 billion to $1 billion (31 December 2023: $2.2 billion), reflecting both improvements into stronger credit grades and downgrades to stage 3, as well as due to the maturity of short-term loan exposures being replaced with debt securities in the Middle East .

Key indicators

	30.06.24	31.12.23
Group total business[1]	280.9	292.1
Stage 1 loans ($ billion)	264.2	273.7
Stage 2 loans ($ billion)	10.0	11.2
Stage 3 loans, credit-impaired ($ billion)	6.6	7.2
Stage 3 cover ratio	63%	62%
Stage 3 cover ratio (including collateral)	82%	76%
Corporate & Investment Banking		
Investment grade corporate exposures as a percentage of total corporate exposures	74%	73%
Early Alert portfolio exposures ($ billion)	5	5.5
Credit grade 12 balances ($ billion)	1.0	2.2
Aggregate top 20 corporate exposures as a percentage of Tier 1 capital[2]	58%	62%
Collateralisation of sub-investment grade net exposures maturing in more than one year	40%	41%
Wealth & Retail Banking		
Loan-to-value ratio of Wealth & Retail Banking mortgages	47.9%	47.1%

1 These numbers represent total gross loans and advances to customers

2 Excludes reverse repurchase agreements

The Group's credit impairment was a net charge of $240 million (30 June 2023: $161 million), an increase of $79 million. The charge of $240 million was driven by WRB, with stage 1 and 2 charges of $135 million mainly due to the release of COVID-19 overlays and other one-off releases present in 2023 and $147 million in stage 3 from gross charge-offs in credit cards and personal loans. The Ventures charge of $43 million was driven by Mox Bank, with releases offsetting the total from CIB and Central and other items.

Further details can be found in the Risk Review section.

Credit impairment

	30.06.24			30.06.23		
	Stage 1 & 2 $million	Stage 3 $million	Total $million	Stage 1 & 2 $million	Stage 3 $million	Total $million
Ongoing business portfolio						
Corporate & Investment Banking	(38)	3	(35)	33	36	69
Wealth & Retail Banking	135	147	282	15	93	108
Ventures	7	36	43	12	11	23
Central & other items	(31)	(10)	(41)	(27)	(1)	(28)
Credit impairment charge/(release)	73	176	249	33	139	172
Restructuring business portfolio						
Others	2	(11)	(9)	(2)	(9)	(11)
Credit impairment charge/(release)	2	(11)	(9)	(2)	(9)	(11)
Total credit impairment charge/(release)	75	165	240	31	130	161

Our Risk Management Approach

Standard Chartered PLC Group's Enterprise Risk Management Framework (ERMF) outlines how we manage risk across the Group, as well as at branch and subsidiary levels[1]. It gives us the structure to manage existing risks effectively in line with our Group Risk Appetite, as well as allowing for holistic risk identification. The ERMF also sets out the roles and responsibilities and the minimum governance requirements for the management of principal risks.

Principal Risk Types

Principal Risk Types (PRT) 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 Risk Appetite Statement. We will not compromise compliance with our Risk Appetite in order to pursue revenue growth or higher returns.

compliance with our Risk Appetite in order to pursue revenue growth or higher returns.

The table below provides an overview of Risk Appetite Statements for the PRTs.

Risk Types	Risk Appetite Statements
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded Risk	The Group should control its financial markets activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise.
Treasury Risk	The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items do not cause material damage to the Group's franchise. In addition, the Group should ensure its Pension plans are adequately funded.
Operational and Technology Risk	The Group aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Compliance Risk	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Information and Cyber Security (ICS) Risk	The Group aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage - recognising that whilst incidents are unwanted, they cannot be entirely avoided.
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 with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting some model uncertainty.

In addition to the PRTs, the Group has defined the following Risk Appetite Statement for Climate Risk: "The Group aims to measure and manage financial and non-financial risks arising 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 The Group's ERMF and system of internal control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Topical and Emerging Risks (TERs)

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

As part of our ongoing risk identification process, we have updated the Group's TERs from those disclosed in the 2023 Annual Report. These remain relevant with nuances in their evolution noted where pertinent. Below is a summary of the TERs, and the actions we are taking to mitigate them based on our current knowledge and assumptions. This reflects the latest internal assessment by senior management.

The TERs list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. There are some horizon risks that, although not highly likely at present, could become threats in the future, and thus we are monitoring them. These include future pandemics and the world's preparedness for them, and potential cross-border conflicts. Our mitigation approach for these risks may not eliminate them but demonstrates the Group's awareness and attempt to reduce or manage their impact. As certain risks develop and materialise over time, we will take appropriate steps to mitigate them based on their materiality to the Group.

Macroeconomic and geopolitical considerations

There is a complex interconnectedness between risks due to the direct influence of geopolitics on macroeconomics, as well as the global or concentrated nature of key supply chains for energy, food, semi-conductors and critical minerals.

The Group is exposed to these risks directly through investments, infrastructure and staff, and also indirectly through its clients. Whilst the primary impact is financial, there may be other ramifications such as reputational, compliance or operational considerations.

Expanding array of global tensions and new geopolitical order

The international order is undergoing transformation, with a shift towards a multipolar global system resulting in more transactional and less predictable interactions between global powers. This can give rise to new and more fluid political and economic alliances. This transformation has been accelerated by conflicts in Ukraine and the Middle East.

Whilst the Group has limited direct exposure to the countries which are currently in direct conflict, it may be impacted by second order effects on its clients and markets such as agricultural commodities, oil and gas. The threat of escalation to the surrounding regions remains and could reach markets in the Group's footprint.

The positioning of middle powers is complex and evolving; and there is a rise in mini-lateral groupings of countries that are ideologically aligned. The negotiating power of exporters of energy and other natural resources has expanded and can shape global markets. With five countries joining in early 2024, BRICS now encompasses almost half of the world's population and produces nearly half of global crude oil supplies, giving it significant leverage, especially as other supply routes remain strained.

Relations between the West, led by the US and EU, and China are in a state of flux, with a declining trend likely to prevail as we head towards the US election. Tariffs, embargos, sanctions, and restrictions on technology exports and investments are expected to continue to be ratcheted up in pursuit of both economic and security goals.

With elections scheduled worldwide in the second half of 2024, there is uncertainty over the direction of domestic and foreign policies in many of the affected countries. There is a significant risk of short-term political expediency taking precedence over long-term strategic decision-making. So far elections have ranged from maintaining status quo in India and Taiwan, to notable shifts in leadership in the UK and France. With the US election coming in November, there is uncertainty over the direction of US domestic as well as foreign policy towards some markets.

The malicious use of artificial intelligence (AI) enabled disinformation could also cause disruption and undermine trust in the political process. This, combined with already fractured societies and persistent inequality, may lead to heightened societal tensions, with a high risk of unrest regardless of election outcomes. This will be particularly in focus in relation to the US presidential election.

Terrorism and cyber warfare are ongoing threats, with unpredictability exacerbated by the wider range of ideologies at play. Cyber attacks can disrupt infrastructure and institutions in rival countries.

West Africa, the Sahel and the Democratic Republic of the Congo face growing concerns due to conflict, population displacement and potential disruption to mineral resource acquisition.

A more complex and less integrated global political and economic landscape could challenge cross-border business models but also provide new business opportunities.

Persistent high interest rates and credit downturn

Although rate cuts have been signalled in most major markets, global rates could stay higher than expected for longer due to structurally higher spending, continued supply disruptions and other inflationary pressures.

A higher-for-longer interest rate environment will continue to stretch companies and sovereigns alike, with global corporate defaults in Q1 2024 at the highest rate since the global financial crisis.

Despite this, markets have remained surprisingly resilient to adverse geopolitical conditions and inflation forecasts in recent months. The conflict in the Middle East has had a limited immediate impact on commodity prices and the wider global economy, however, this could change should the conflict spread. Whilst credit spreads remain below those observed at the outbreak of the Russia-Ukraine conflict, volatility and abrupt changes in sentiment remain a risk.

Concern for the credit outlook spans both commercial and retail lending, with price inflation and the cliff effects of energy, mortgage and debt repricing ultimately leading to higher defaults. This has crystallised most notably in the global commercial real estate sector as well as unsecured lending, and may extend to mortgages if high rates persist. Existing stress in commercial real estate has spread beyond China to North America and Europe. This could result in higher loss rates for the lenders as well as further exacerbate the risk of global societal unrest.

Economic challenges in China

China's growth rate looks unlikely to return to pre-pandemic levels. The International Monetary Fund (IMF) forecasts a decline in China's growth to 5 per cent in 2024 from 5.2 per cent in 2023, with a further drop to 4.5 per cent in 2025. Most recently, Fitch revised China's outlook to 'negative' from 'stable' in April 2024, indicating reduced clarity on the economic outlook.

Competition with the US and the EU is intense, particularly around modern technologies. Areas such as electric vehicles and AI are key battlegrounds. China's industrial overcapacity leads to an increased search for export markets; electric vehicles and steel are prime examples. This is stoking trade-related frictions and provoking economic countermeasures such as the May 2024 tariffs announced by the US, and by the EU in June, although these are not yet implemented.

China is urging some partners to increase the use of the renminbi (RMB) in trade. In March 2024 RMB's share of global payments was 4.7 per cent, over double that of a year earlier, showing potential signs of a slow structural shift.

Given China's importance to global trade, a prolonged slowdown would have wider implications across the supply chain, especially for its trading partners, as well as for countries which rely on it for investment, such as those in Africa. However, opportunities arise from the diversification of intra-Asia trade and other global trade routes, and growth acceleration in South Asia, especially India.

Sovereign Risk

Credit fundamentals have been deteriorating across both emerging and advanced economies due to persistently high interest rates, food and energy prices. In addition, increased spending on areas such as defence is expected to further stretch budgets.

After sharp declines in 2021-2022, global public debt edged up again in 2023 and remained above pre-pandemic levels by 9 percentage points of GDP. Whilst markets have remained opened for all categories of sovereign issuers, the refinancing cost has been rising, and interest payments are an increasing burden on both emerging and developed markets. Emerging markets could become affected by weakness in local currencies versus the US dollar, making refinancing existing debt or accessing hard currency liquidity more challenging.

Some countries face a heightened risk of failing to manage social demands, increasing political vulnerability and possibly social unrest. Food and security challenges exacerbated by armed conflict and climate change have the potential to drive social unrest. Disorderly outcomes of fractious elections could also have implications for sovereign ratings as markets become more volatile.

Debt moratoria and refinancing initiatives for some emerging markets are complicated by a larger number of financiers, with much financing done on a bilateral basis outside of the Paris Club. Whilst the Global Sovereign Debt Roundtable has made some progress on coordinating approaches between the Paris Club and other lenders, their interests do not always match. This can lead to delays in negotiations on debt resolutions for developing nations.

Supply chain issues and key material shortages

Whilst the initial disruption caused by the Russia-Ukraine conflict has somewhat abated, recent volatility in the Red Sea has highlighted the vulnerability of global supply lines.

There is growing political awareness around the need for key component and resource security at national level. Countries are enacting rules to de-risk by reducing reliance on rivals or concentrated suppliers (for example, semiconductors) and look to either re-industrialise or make use of near-shoring and friend-shoring production.

The EU probe into unfair commercial practices in the provision of renewable energy equipment, particularly subsidies related to offshore wind and solar energy, may add to strain on associated supply chains, and add to inflationary pressures.

The growing need for minerals and rare earth elements to power green energy technologies can be leveraged to achieve economic or political aims by restricting access. This can bolster the negotiating influence of the main refiners and producers, such as China, Indonesia and some African nations, whilst prompting some nations to slow down their green transition plans.

How these risks are mitigated

- We remain vigilant in monitoring risk and assessing impacts from geopolitical and macroeconomic risks to portfolio concentrations.
- We maintain a diversified portfolio across products and geographies, with specific Risk Appetite metrics to monitor concentrations.
- Mitigations in our WRB segment include building a resilient revenue base and maintaining close relations with clients for the awareness of early alerts.
- Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions.
- We utilise Credit Risk mitigation measures including collateral and credit insurance.
- We conduct portfolio reviews as well as macroeconomic, thematic and event-driven stress tests at Group, country, and business level, with regular reviews of vulnerable sectors, and undertake mitigating actions.
- We have a dedicated Country Risk team that closely monitors Sovereign Risk.
- We run a series of daily Market Risk stress scenarios to assess the impact of unlikely but plausible market shocks.
- We run a suite of management scenarios with differing severities to assess their impact on key Risk Appetite metrics.

Environmental, Social and Governance (ESG) considerations

ESG risks

Higher frequencies of extreme weather events are observed each year and the cost of managing the climate impacts is increasing, with the burden disproportionately borne by developing markets, where we have a large footprint. Alongside climate, other environmental risks pose incremental challenges to food, health systems and energy security, for example, biodiversity loss, pollution, and depletion of water.

Modern slavery and human rights concerns are increasingly in focus, with the scope expanding beyond direct operations to extended supply chain and vendors.

ESG regulation continues to develop across the world, often with differing taxonomies and disclosure requirements. This increased regulation is also generating stakeholder scrutiny on greenwashing risk, with ESG litigation being brought against corporations and governments in multiple markets.

A succession of political, social and economic disruptions in recent years have diverted attention and resources away from longer-term action on climate and sustainable development as competing spending demands are made of stretched budgets. For companies and governments, the anticipated trade-off between pragmatism and environmentalism has started to crystalise, with several delaying or rolling back targets. A slower transition to low-carbon business models may impact progress towards the Group's Net Zero targets and product roadmap.

How these risks are mitigated

- Climate Risk considerations are embedded across all relevant Principal Risk Types. This includes client-level Climate Risk assessments, including setting adequate mitigants or controls as part of decision-making and portfolio management activities.
- We embed our values through our Position Statements for sensitive sectors and a list of prohibited activities. We also maintain environmental and social risk management standards to identify, assess and manage these risks when providing financial services to clients.
- The management of greenwashing risks has been integrated into our Reputational and Sustainability Risk Framework, Sustainability Risk policy and Sustainable Finance greenwashing standard.
- Detailed portfolio reviews and stress tests are conducted to test resilience to climate-related physical and transition risks and enhance modelling capabilities to understand the financial risks and opportunities from climate change. A scenario focusing on ESG litigation has been introduced in our internal capital adequacy assessment.
- We assess our relevant corporate clients and suppliers against various international human rights principles, as well as through our social safeguards.

New business structures, channels and competition

Speed and breadth of technological developments

Traditional banking faces challenges in its external competitive environment from a range of fintechs. At the same time, banks themselves have an opportunity to defend or leverage their competitive advantage by harnessing new technologies, partnerships or new asset classes.

Conventional loan and deposit businesses could be challenged by digital enterprise business models, which integrate financial services with emerging technologies like AI, big data analytics and cloud computing fostering financial disintermediation.

In the longer term, increased adoption of stable coins and digital currencies could similarly create alternative deposit channels and bank disintermediation.

The rapid adoption of new technologies, partnership models or digital assets by banks brings a range of inherent risks, requiring clear operating models and risk frameworks. It is essential to upskill our people to develop in-house expertise and capabilities to manage associated risks, including model risks or managing external third parties which deliver these technologies. We must ensure that the people, process and technology agendas are viewed holistically to ensure the most effective and efficient implementation of new infrastructure.

Cyber security and data

The Group's digital footprint is expanding. This increases inherent Cyber Risk as more services and products are digitised, outsourced and made more accessible. Highly interconnected and extended enterprises drive efficiencies but can expand the opportunities available for malicious actors to gain entry or access to corporate assets. This includes infrastructure such as cloud services.

The risk of data breaches is amplified by highly organised actors, with threats such as 'Ransomware as a Service' and affordable, sophisticated AI systems helping to facilitate attacks on organisations and individuals. Increasing cross-border tensions further drive the arms race to develop new attack types and commoditise new tools.

How these risks are mitigated

- We monitor emerging technology trends, business models and opportunities relevant to the banking sector.
- We invest in our capabilities to prepare for and protect against disruption and new risks.

- We have established enhanced governance for novel areas through the Digital Asset Risk Committee and Responsible AI Council, which considers emerging regulatory guidance.
- The Group has developed the Responsible AI Standard to govern innovative and safe use of the technology in adherence with responsible AI principles.
- We manage data risks through our Compliance Risk Type Framework and information security risks through our ICS Risk Type Framework. We maintain a dedicated Group Data Conduct Policy with globally applicable standards. These standards undergo regular review to ensure alignment with changing regulations and industry best practice.
- We maintain programmes to enhance our data risk management capabilities and controls, including compliance with the Basel Committee on Banking Supervision 239 requirements on effective risk data aggregation, with progress tracked at executive level risk governance committees.
- Risks embedded in key software programmes are continuously reassessed together with enhancements made in testing stages of new systems before they go live.
- The Group has implemented a 'defence-in-depth' ICS control environment strategy to protect, detect and respond to known and emerging ICS threats.
- New risks arising from partnerships, alliances, digital assets and generative technologies are identified through the New Initiatives Risk Assessment and Third-Party Risk Management Policy and Standards.
- Work is already underway to gauge the potential benefits and threats of nascent technologies such as quantum computing.

Regulatory considerations

Regulatory evolution and fragmentation

The regulatory framework for banks is expanding, becoming more complex and remains subject to continual evolution. Aside from changes in prudential, financial markets, climate and data regulations, we anticipate a rise in consultations and regulations relating to the use of AI, and particularly around its ethical application in decision-making.

Jurisdictional risk arises from internationally diverging regulations, with differing pace and scale of regulatory adoption, conflicting rules, extraterritorial and localisation requirements around data, staff, capital and revenues. Data sovereignty and ESG regulation are prime examples of jurisdictional risk.

This makes it challenging for multinational groups to manage cross-border activities, as well as adding complexity and cost. Such fragmented regulatory changes can also create frictions in the market as a whole.

How these risks are mitigated

- We actively monitor regulatory developments, including those related to sustainable finance, ESG, digital assets and AI, and respond to consultations either bilaterally or through well-established industry bodies.
- We track evolving country-specific requirements, and actively collaborate with regulators to support important initiatives.
- We help shape regulation, particularly in new areas like AI and Central Bank Digital Currencies through thought leadership, and actively engaging with policymakers and central banks.

Demographic considerations

Skills of the future

Evolving client expectations and the rapid development of technologies such as AI are transforming the workplace, and further accelerating changes to how people deliver outcomes, connect and collaborate. The skills needed to grow businesses and sustain careers are being changed as a result, with a balance of both technical and human skills becoming increasingly critical.

Employee priorities also continue to evolve. 'What' work people do and 'how' they get to deliver it have become differentiators in attracting future-focused talent. Workers have a greater desire to do work aligned to individual purpose, and have increasing expectations from employers to invest in skills and careers. These trends are even more distinct among Millennials and Generation Z who make up an increasing proportion of the global talent pool and, as digital natives, possess the attributes needed to pursue our strategy.

To sustainably attract, grow and retain the relevant skills and talent, we must continue to invest in building future-focused skills as well as further strengthen our Employee Value Proposition (EVP) and brand promise.

Demographic trends

Divergent demographic trends across developed and emerging markets create contrasting challenges. Developed markets' state budgets will be increasingly strained by ageing and shrinking populations in time, whilst political stances reduce the ability to fill skills gaps through immigration. Conversely, emerging markets are experiencing fast-growing, younger workforces. Whilst it is an opportunity to develop talent, population growth will put pressure on key resources such as food, water, education and health, as well as government budgets.

Population displacement, whether as a result of climate events, lack of key resources, political issues or war, may increase the fragility of societal structures in vulnerable centres. Large-scale movement could cause social unrest, as well as propagate disease transmission and accelerate the spread of future pandemics.

How these risks are mitigated

- We are helping colleagues to upskill and reskill, both through classroom sessions and our online learning platform.
- We have an internal Talent Marketplace which enables colleagues to sign up for projects to access diverse experiences and career opportunities.
- We place emphasis on skills and aspiration to identify the talent to accelerate, as well as deploy it in areas with the highest impact for our clients and the business. We are piloting a differentiated learning proposition for this talent with the highest potential.
- We emphasise frequent two-way feedback through performance and development conversations to embed a culture of continuous learning and development.
- Our culture and EVP work is addressing the emerging expectations of our diverse talent base, particularly around being purpose-led.
- We provide support and resources to all colleagues to help balance productivity, collaboration and wellbeing, with more than 70 per cent of our workforce having signed up to work flexibly.

Sadia Ricke

Group Chief Risk Officer

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CONTACT INFORMATION

Global headquarters
Standard Chartered Group
1 Basinghall Avenue
London, EC2V 5DD
United Kingdom

telephone: +44 (0)20 7885 8888
facsimile: +44 (0)20 7885 9999

Shareholder enquiries
ShareCare information

website: sc.com/shareholders
helpline: +44 (0)370 702 0138

ShareGift information
website: ShareGift.org
helpline: +44 (0)20 7930 3737

Registrar information
UK
Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ
helpline: +44 (0)370 702 0138

Hong Kong
Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

website: computershare.com/hk/investors

Chinese translation
Computershare Hong Kong Investor Services Limited

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Register for electronic communications
website: investorcentre.co.uk

For further information, please contact:

Manus Costello, Global Head of Investor Relations
+44 (0) 20 7885 0017

LSE Stock code: STAN.LN

HKSE Stock code: 02888

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