Segment overview

Corporate & Institutional Banking supports clients with their transaction banking, corporate finance, financial markets and borrowing needs across more than 60 markets, providing solutions to over 5,300 clients in some of the world's fastest-growing economies and most active trade corridors.

Our clients include large corporations, governments, banks and investors headquartered, operating or investing in Asia, Africa and the Middle East. Our strong and deep local presence across these markets enables us to facilitate trade, capital and investment flows in and for our footprint, including across China’s Belt and Road initiative.

We collaborate increasingly with other segments: introducing Commercial Banking services to our clients’ ecosystems – their networks of buyers, suppliers, customers and service providers – and offering our clients employee banking services through Retail Banking.

Strategic priorities

- Deliver sustainable growth for clients by understanding their agendas, providing trusted advice, and strengthening leadership in flow solutions
- Manage our balance sheet to grow income and returns by driving balance sheet velocity, improving funding quality and maintaining strengthened risk controls
- Improve our efficiency, innovate and digitise to enhance the client experience

Progress

- Completed on-boarding of 91 new OECD clients, and delivered strong growth from the next generation of priority clients
- Improved balance sheet quality, with investment-grade clients now representing 57 per cent of customer loans and advances (2016: 52 per cent) and high quality operating account balances now comprising 48 per cent of Transaction Banking customer accounts (2016: 44 per cent)
- Launched focused workstreams to drive efficiency and innovation, and increase talent diversity

Performance highlights

- Underlying profit before taxation of $1,261 million more than doubled year-on-year primarily driven by lower impairment. While operating expenses were higher, business efficiency improvements created capacity for increased investments
- Underlying income of $6,496 million was stable year-on-year. However, excluding Principal Finance losses, income declined 3 per cent, impacted by a decline in market volatility and spreads in Financial Markets and margin compression in financing businesses. This more than offset the volume growth and margin improvement in Cash Management
- Good balance sheet momentum with loans and advances to customers up 8 per cent year-on-year and customer accounts up 9 per cent
- The difference of $275 million between statutory and underlying profit represents restructuring costs

KPIs

<table>
<thead>
<tr>
<th>Proportion of low returning client risk-weighted assets</th>
<th>Collaboration with other client segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aim</strong> Reduce the proportion of risk-weighted assets deployed in Corporate &amp; Institutional Banking that are delivering low returns.</td>
<td><strong>Aim</strong> Increase collaboration with other client segments to generate cross-segment business opportunities.</td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td><strong>2015</strong></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td><strong>2016</strong></td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td><strong>2017</strong></td>
</tr>
<tr>
<td><strong>16.8%</strong> of RWAs</td>
<td><strong>158,000</strong> new sign-ups</td>
</tr>
<tr>
<td><strong>13.1%</strong></td>
<td><strong>89k</strong></td>
</tr>
<tr>
<td><strong>15.6%</strong></td>
<td><strong>127k</strong></td>
</tr>
<tr>
<td><strong>16.8%</strong></td>
<td><strong>158k</strong></td>
</tr>
</tbody>
</table>

Analysis

Proportion of low returning client risk-weighted assets has increased from 15.6 per cent in 2016 to 16.8 per cent in 2017, driven by conscious client actions, market pressures, credit migration and model changes.

Analysis

Increasing trend in Employee Banking account sign-ups from Corporate & Institutional Banking clients with an increase of 24 per cent year-on-year from 127,000 to 158,000.
Retail Banking

Profit before taxation
$873m
underlying basis
$854m
statutory basis

Risk-weighted assets
$44bn

Return on risk-weighted assets
2.0%
underlying basis

Segment overview
Retail Banking serves over nine million individuals and small businesses, with a focus on affluent and emerging affluent in many of the world’s fastest-growing cities. We provide digital banking services with a human touch to our clients across deposits, payments, financing products and Wealth Management, as well as supporting their business banking needs.

Retail Banking represents approximately one-third of the Group’s operating income and operating profit. We are closely integrated with the Group’s other client segments, for example offering employee banking services to Corporate & Institutional Banking clients, and we are also an important source of high quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support our opportunity to grow the business sustainably. We aim to improve productivity and client experience through increasing digitisation, driving cost efficiencies and simplifying our processes.

Strategic priorities
→ Continue to focus on affluent and emerging affluent clients and their wealth needs in core cities and capture the significant rise of the middle class in our markets
→ Continue to build on our client ecosystem and alliances initiatives
→ Improve our clients’ experience through an enhanced end-to-end digital offering, with intuitive platforms, best-in-class products and service responding to the change in digital habits of clients in our markets

Progress
→ Increased share of income from Priority clients to 45 per cent, up from 29 per cent in 2014, supported by adding more than 100,000 Priority clients during 2017
→ Our major strategic alliances, with partners such as Asia Miles, Shinsegae and Disney, and our Employee Banking initiatives, have together delivered over 50 per cent of new clients in the year
→ Investment in technology is showing results, with nearly 45 per cent of clients now actively using online or mobile banking

Performance highlights
→ Underlying profit before taxation of $873 million was up 14 per cent year-on-year as income growth and lower loan impairment offset increased expenses
→ Retail Banking income in Greater China & North Asia grew 10 per cent year-on-year; income in ASEAN & South Asia grew 4 per cent excluding the impact of business exits in Thailand and the Philippines; and income in Africa & Middle East was flat
→ Strong momentum from Wealth Management and Deposits drove the improved income performance, more than offsetting continued margin compression across asset products
→ Good balance sheet momentum, with both loans and advances to customers and customer accounts up 10 per cent during the year
→ The difference of $19 million between statutory and underlying profit represents restructuring costs

UNDERSTANDING CLIENTS’ BANKING NEEDS

Building relationships through technology

We are constantly enhancing our products and services to take advantage of digital advances. This includes our new voice recognition platforms and cross-border payment options on mobile and tablet devices for clients who need to bank anytime, anywhere. Every innovation is based on insights: we spend time getting to know our clients and understanding their banking needs and financial goals.

KPIs

Digital adoption
Aim Align the Group’s service to how clients want to interact and increase efficiency by reducing the amount of manual processing.

Priority client focus
Aim Increase the proportion of income from Priority clients, reflecting the strategic shift in client mix towards affluent and emerging affluent clients.

Analysis Online applications have continued to grow year-on-year with the proportion of Retail Banking clients that are digital-active up from 39.6 per cent in 2016 to 44.7 per cent at the end of 2017.

Analysis The share of Retail Banking income from Priority clients increased to 44.8 per cent in 2017 from 39.0 per cent in 2016, supported by more than 100,000 new-to-bank Priority clients in the year.
Commercial Banking

Segment overview
Commercial Banking serves over 40,000 local corporations and medium-sized enterprises in 26 markets across Asia, Africa and the Middle East. We aim to be our clients’ main international bank, providing a full range of international financial solutions in areas such as trade finance, cash management, financial markets and corporate finance.

Through our close linkages with Retail Banking and Private Banking, our clients can access additional services they value including employee banking services and personal wealth solutions. We also collaborate with Corporate & Institutional Banking to service their clients’ end-to-end supply chains.

Our clients represent a large and important portion of the economies we serve and are potential future multinational corporates. Commercial Banking is at the heart of our shared purpose to drive commerce and prosperity through our unique diversity.

Progress

→ Improved client experience materially, with client satisfaction as measured by our annual ‘client intelligence survey’ having improved meaningfully year-on-year

→ On-boarded over 4,500 new-to-bank clients in the year, of which 830 came from our clients’ international and domestic networks of buyers and suppliers

→ Significantly strengthened the foundations in credit risk management through a series of actions which resulted in lower loan impairments in 2017

Performance highlights

→ Returned Commercial Banking to profitability, with an underlying profit before taxation of $282 million reflecting significantly lower impairment, reduced expenses and higher income

→ Underlying income of $1,333 million was up 3 per cent year-on-year, driven by positive momentum across regions, with income up 5 per cent in ASEAN & South Asia, up 2 per cent in Africa & Middle East, and up 1 per cent in Greater China & North Asia, led by Cash Management and Financial Markets products

→ Strong balance sheet growth, with loans and advances to customers up 17 per cent year-on-year and customer accounts up 4 per cent

→ The difference of $13 million between statutory and underlying profit represents restructuring costs

KPIs

New-to-bank ecosystem clients

Aim: Bank our clients’ international and domestic networks of suppliers and buyers (the ecosystem).

<table>
<thead>
<tr>
<th>Year</th>
<th>% Increase in clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>(7.7)%</td>
</tr>
<tr>
<td>2016</td>
<td>26.9%</td>
</tr>
<tr>
<td>2017</td>
<td>28.3%</td>
</tr>
</tbody>
</table>

Analysis: The number of clients on-boarded through our ‘banking the ecosystem’ initiative increased 28.3 per cent in 2017.

Straight2Bank utilisation

Aim: Improve client experience and minimise manual transactions and the reliance on branches for cash, trade and FX, thereby reducing the cost of servicing.

<table>
<thead>
<tr>
<th>Year</th>
<th>% of clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>36.0%</td>
</tr>
<tr>
<td>2016</td>
<td>42.4%</td>
</tr>
<tr>
<td>2017</td>
<td>44.7%</td>
</tr>
</tbody>
</table>

Analysis: Straight2Bank utilisation increased 13 per cent in 2017. By the end of 2017, 44.7 per cent of active Commercial Banking clients are using the capability, up from 42.4 per cent in 2016.
Private Banking

Loss before taxation
$(1)m underlying basis
$(16)m statutory basis

Risk-weighted assets
$6bn

Return on risk-weighted assets
0.0% underlying basis

Segment overview
Private Banking offers a full suite of investment, credit and wealth planning solutions to grow and protect the wealth of high-net worth individuals across our footprint.

Our investment advisory capabilities and product platform are independent from research houses and product providers, allowing us to put client interests at the centre of our business. This is coupled with an extensive network across Asia, Africa and the Middle East, which provides clients with relevant market insights and cross-border investment and financing opportunities.

As part of our universal banking proposition, clients can also leverage our global Commercial Banking and Corporate & Institutional Banking capabilities to support their business needs. Private Banking services can be accessed from six leading centres: Hong Kong, Singapore, London, Jersey, Dubai and India.

Strategic priorities
- Instil a culture of excellence by improving the expertise and enhancing the skills of senior relationship management teams
- Improve client experience by enhancing our advisory proposition and reducing turnaround time of the investment process
- Balance growth and controls by simplifying the business model through implementation of a rigorous controls enhancement plan

Progress
- Strengthened relationship management teams with almost 60 new frontline hires globally. Launched Private Banking Academy in partnership with INSEAD and Fitch to deliver an industry leading frontline training programme across key markets
- Enhanced our open architecture platform through digitalisation, enabling real-time price discovery across equity derivatives and fixed income, and halving preparation time for investment proposals
- Sharpened our client coverage model with the completion of the country coverage initiative and continuous shift to focus on the above $5 million assets under management client segment

Performance highlights
- Private Banking generated an underlying loss before taxation of $1 million compared to a profit of $32 million in 2016, due to higher expenses as we continued to invest significantly in the business
- Underlying income of $500 million was up 1 per cent year-on-year, impacted by the non-recurrence of an insurance recovery. Excluding this, income improved 6 per cent driven by Wealth Management, Treasury and Funds products, and improved deposit margins
- Assets under management increased by $10.2 billion or 18 per cent since 31 December 2016 driven by positive market movements and $2.2 billion of net new money
- The difference of $15 million between statutory and underlying loss represents restructuring costs

KPIs

Net new money
Aim: Grow and deepen client relationships, improve investment penetration and attract new clients.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net new money ($bn)</th>
<th>% of net new money</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$2.2bn</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$2.2bn</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$2.0bn</td>
<td></td>
</tr>
</tbody>
</table>

Analysis: We added $2.2 billion of net new money in 2017, after seeing outflows in 2016 when investor sentiment was impacted by volatility in equity and other markets, coupled with our actions taken to improve our risk profile.

Net client score for ease of doing business
Aim: Holistically improve the Private Banking client experience through all touch points with the Group.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net client score</th>
<th>% more clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>27.7%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Analysis: Launched in 2016, the annual Private Banking client satisfaction survey reviews multiple dimensions of client sentiment and measures our progress in putting client needs at the heart of everything we do. In 2017, significantly more clients rated us very easy to do business with than those that rated us difficult to do business with.
Driving commerce and prosperity through our unique diversity

Developing partnerships to deliver financial inclusion

Working together with the Asian Development Bank (ADB), we are helping to drive prosperity for people traditionally excluded from the financial system.

We have extended a unique risk participation deal – the first of its type for the microfinance sector in Asia when launched in 2013 – with the ADB to increase the flow of credit to microfinance institutions (MFIs) across Asia. By increasing the capital available, partner MFIs are able to reach more unbanked individuals and finance additional microenterprises.

Originally, we aimed to originate and service a $150 million portfolio of MFI loans across Asia by the end of 2018, with the ADB sharing 50 per cent of the risk on the portfolio. Due to the programme’s success, the ADB increased its risk participation ceiling from $75 million to $120 million, allowing us to increase the total programme size to $240 million outstanding at any given time. The programme has now been recognised as part of the ADB’s mainstream operations with no specified end date.

Together, Standard Chartered and ADB have provided approximately 125 loans totalling $325 million to 13 MFIs in Bangladesh, Indonesia and India, with the potential to expand to additional markets in Asia.
Greater China & North Asia

**Highlights of 2017**

**Profit before taxation**
- $1,942m underlying basis
- $1,977m statutory basis

**Risk-weighted assets**
- $85bn

**Region overview**
Greater China & North Asia is the Group’s largest region, representing approximately 40 per cent of the Group’s income, and includes our clients in Hong Kong, Korea, China, Taiwan, Japan and Macau. Of these, Hong Kong remains the Group’s largest market, underpinned by a diversified franchise and deeply rooted presence.

The region is highly interconnected, with China’s economy at its core. Our regional footprint, distinctive proposition and continued investment positions us strongly to capture opportunities as they arise from the continuing opening up of China’s economy.

We are building on the region’s ongoing economic growth, the rising wealth of its population, the increasing sophistication and internationalisation of Chinese businesses and the resulting increased usage of the renminbi internationally.

**Strategic priorities**
- Leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients
- Capture opportunities arising from China’s opening, including the renminbi, Belt and Road initiative, onshore capital markets and mainland wealth, as well as from our digital capabilities
- Strengthen market position in Hong Kong, and improve Retail Banking performance in China and Korea
- Strong progress in Retail Banking in Hong Kong, adding more than 43,300 new-to-bank Priority clients through alliances such as Asia Miles and our enhanced digital on-boarding platform
- Retail Banking in both China and Korea have seen a significant improvement in performance, driven by cost efficiencies and focused client acquisition

**Performance highlights**
- Underlying profit before taxation of $1,942 million was 45 per cent higher year-on-year, reflecting income growth and lower impairment
- Underlying income of $5,616 million was 8 per cent higher year-on-year, with all markets and client segments contributing. Retail Banking and Private Banking income both grew 10 per cent year-on-year driven by Wealth Management, improving margins and strong balance sheet growth. Corporate & Institutional Banking income rose 9 per cent year-on-year, due to Cash Management, Corporate Finance and Capital Markets. Commercial Banking income grew 1 per cent year-on-year, driven by Cash Management and Corporate Finance
- Strong balance sheet momentum with loans and advances to customers up 15 per cent year-on-year and customer accounts up 10 per cent
- The difference of $35 million between statutory and underlying profit represents restructuring costs

**Progress**
- Added overseas China desks across the Group’s footprint, helping to grow income and increase the number of Belt and Road initiative projects we were involved in by over 25 per cent

**Loans and advances to customers**
- Greater China & North Asia 44% of Group

**Income split by key markets**
- Hong Kong 60%
- Others 40%
ASEAN & South Asia

Highlights of 2017

Profit before taxation

$492m
underlying basis

$350m
statutory basis

Risk-weighted assets

$97bn

Region overview

The Group has a long-standing and deep franchise across the ASEAN & South Asia region. We are the only international bank with a presence in all 10 ASEAN countries and we also have meaningful operations in all key South Asian markets. Our two largest markets in the region by income are Singapore and India, where we have had a deep-rooted presence for over 150 years. The region contributes over a quarter of the Group’s income. Within the region, Singapore is home to the majority of our global business leadership and our technology organisation as well as SC Ventures, our innovation hub.

The strong underlying economic growth in the ASEAN & South Asia region supports our opportunity to grow and sustainably improve returns. The region is benefiting from rising trade flows, including from the Belt and Road initiative, continued strong investment and a rising middle class which is driving consumption growth and improving digital connectivity.

Strategic priorities

- Optimise geographic portfolio by selectively reshaping sub-scale unprofitable markets and prioritising larger or more profitable markets
- Shift the income mix towards ‘asset-light’ businesses, such as network and flow opportunities in Corporate & Institutional Banking and Commercial Banking, and towards Wealth and Priority clients in Retail Banking
- Deploy differentiating digital capabilities in key markets to improve client experience and productivity

Progress

- Exited Retail Banking in the Philippines and Thailand in 2017, and our stake in Asia Commercial Bank in early 2018. Investments in Singapore, India and Vietnam are showing early positive impact
- The business ‘mix shift’ is starting: 6 per cent year-on-year cash liabilities growth, global subsidiaries up 13 per cent, new Priority clients grew 18 per cent, wealth assets under management up 25 per cent
- Encouraging early signs of digital adoption in key markets, with a faster pace of improving digital sales penetration

Performance highlights

- Underlying profit before taxation of $492 million declined 22 per cent year-on-year due to negative operating leverage impacted by low volatility in Financial Markets and higher costs as we invested for future growth
- Underlying income of $3,833 million fell 5 per cent year-on-year driven by the decisions to exit Retail Banking in Thailand and the Philippines, and from the impact of low volatility on Financial Markets. Retail Banking income, excluding the impact of exits, rose 4 per cent year-on-year, and Commercial Banking income was up 5 per cent year-on-year
- Client activity was positive with 13 per cent growth in loans and advances to customers and 8 per cent growth in customer accounts since December 2016
- The difference of $142 million between statutory and underlying profit represents restructuring costs of $161 million, which are offset by gains on sale of business of $19 million
Africa & Middle East

Highlights of 2017
Profit before taxation
$642m underlying basis
$609m statutory basis
Risk-weighted assets
$56bn

Region overview
We have a deep-rooted heritage of over 150 years in Africa & Middle East and are present in 25 markets, of which the UAE, Nigeria, Pakistan and Kenya are the largest by income. Among international banks we have the broadest presence across sub-Saharan Africa by number of markets.

A rich history, deep client relationships and a unique footprint in the region and across key origination centres in Asia, Europe and the Americas enable us to seamlessly support our clients. Africa & Middle East is an important part of global trade and investment corridors, including those on the Belt and Road initiative and we are well placed to facilitate these flows. Demand for capital remains robust, with favourable demographics, urbanisation and infrastructure investment.

While the economic challenges in Africa & Middle East were severe in 2015 and 2016, our business stabilised in 2017 and we remain confident that the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies.

Strategic priorities
→ De-risk and improve the quality of income, and maintain a stable platform for sustainable growth
→ Build income momentum in Corporate & Institutional Banking by providing best-in-class structuring and financing solutions and driving origination through client initiatives
→ Continue investing in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets

Progress
→ The UAE, a key market, has turned around and Commercial Banking in the region has stabilised
→ Reinforced our strong market presence through a number of marquee deals from sovereigns, financial institutions and corporate clients
→ On track to deliver digital solutions across key countries in Africa during 2018

Performance highlights
→ Underlying profit before taxation of $642 million rose 49 per cent year-on-year, driven by a reduction in loan impairment
→ Despite economic challenges in the region, underlying income of $2,764 million was up 1 per cent year-on-year driven by Africa up 4 per cent while Middle East, North Africa and Pakistan were down 2 per cent. Strong Transaction Banking and Wealth Management performance was offset by the impact of lower volatility in Financial Markets and lower margins in Retail Products
→ Loans and advances to customers were up 5 per cent year-on-year and customer accounts grew 6 per cent
→ The difference of $33 million between statutory and underlying profit represents restructuring costs

Loans and advances to customers

Income split by key markets

<table>
<thead>
<tr>
<th>Market</th>
<th>% of Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>27%</td>
</tr>
<tr>
<td>Others</td>
<td>73%</td>
</tr>
</tbody>
</table>
Europe & Americas

Highlights of 2017

Profit before taxation

$71m
underlying basis

$46m
statutory basis

Risk-weighted assets

$45bn

Region overview

The Group supports clients in Europe & Americas through hubs in London and New York as well as a presence in several European and Latin American markets. We offer our clients rich network and product capabilities through our knowledge of working in and between Asia, Africa and the Middle East. We also have a Private Banking business, focused on serving clients with linkages to our Asia, Africa and Middle East footprint markets.

The region is a major income origination engine for the Group’s Corporate & Institutional Banking business. Clients based in Europe & Americas generate over one-third of Corporate & Institutional Banking income, with two-thirds of that income booked in the Group’s other regions where the service is provided.

The region is home to the Group’s two biggest payment clearing centres and the largest trading room. Over 80 per cent of the region’s income derives from Financial Markets and Transaction Banking products. Given this mix, the business we do across the Group with clients based in Europe & Americas generates above average returns.

Strategic priorities

➔ Continue to attract new international corporate and financial institutions clients and deepen relationships with existing clients by banking them across more markets in our network
➔ Enhance capital efficiency, maintain strong risk oversight and further improve the quality of our funding base
➔ Grow our Private Banking franchise and assets under management in London and Jersey

Progress

➔ Good progress made in attracting new clients and broadening relationships with existing clients; 79 new multinational corporate clients on-boarded in the region in 2017
➔ Underlying returns from Corporate & Institutional Banking clients continue to improve along with the improved risk profile
➔ Assets under management for Private Banking clients grew by 17 per cent in 2017

Performance highlights

➔ The region returned to profitability with an underlying profit for the year of $71 million, supported by a substantial reduction in loan impairment following earlier management actions. Expense growth reflects the continued investment in people and globally driven investments in systems and product capabilities
➔ Underlying income of $1,601 million was 4 per cent lower year-on-year impacted by a decline in market volatility in Financial Markets which was only partly offset by an improvement in Cash Management income. Income generated by our clients that is booked in other markets grew by 17 per cent in 2017
➔ Loans and advances to customers were up 6 per cent year-on-year and customer accounts grew 9 per cent
➔ The difference of $25 million between statutory and underlying profit represents restructuring costs