Who we are

Standard Chartered is a leading international banking group. Our heritage and values are expressed in our brand promise, Here for good.

We operate in 63 markets worldwide, including some of the world’s most dynamic. More than 80 per cent of our income and profits are derived from Asia, Africa and the Middle East. Our businesses serve four client segments in four regions, supported by seven global functions.

About this report

Sustainability reporting is embedded across our Annual Report and Accounts and is also available in consolidated form in our Sustainability Summary at sc.com/sustainabilitysummary.

The Group uses a number of alternative performance measures in the discussion of its performance. These measures exclude certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. They also provide the reader with insight into how management measures the performance of the business.

For more information please visit sc.com.

Photo competition

Our aim was to make this year’s annual report as engaging and diverse as possible. As part of this, we invited all colleagues to participate in a photo competition. The top three entrants can be found on the front cover, and there is further information on page 309.

Additional information can be found within the report.

Further information is available where you see these icons:

@StanChart

linkedin.com/company/standard-chartered-bank

facebook.com/standardchartered

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.

Those disclosures marked ‘unaudited’ are not within the scope of KPMG LLP’s audit.

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. ‘Greater China & North Asia (GCNA)’ includes China, Hong Kong, Japan, Korea, Macau and Taiwan; ASEAN & South Asia (ASA) includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand and Vietnam; and Africa & Middle East (AME) includes Bahrain, Egypt, Iran, Jordan, Lebanon, Oman, Pakistan, Qatar, Saudi Arabia and the United Arab Emirates (UAE).

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 headquartered in London. The Group’s head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock codes are: HKSE 02888; LSE STAN.LN; and BSE/NSE STAN.IN.
OUR PURPOSE AND PROGRESS

At Standard Chartered our purpose is to drive commerce and prosperity through our unique diversity

In this report we describe our progress in realising this goal and the strategic objectives we are pursuing to strengthen our business, get closer to our clients and fulfil the Group’s potential. We gauge our annual progress against a set of Group key performance indicators (KPIs), summarised below, as well as Client segment KPIs, some of which are shown on pages 18 to 21.

Throughout this report, we use these icons to represent the different stakeholders groups for whom we create value.

Read more on page 13

Clients  Regulators and governments  Investors  Colleagues  Society

FINANCIAL KPIs

Return on equity
3.5%  320bps  Underlying basis
1.7%  280bps  Statutory basis

Common Equity Tier 1 ratio
13.6%  Underlying basis
13.6%  Statutory basis

Read more on page 05

Profit before tax
$3,010m  175%  Underlying basis
$2,415m  490%  Statutory basis

Read more on page 05

Earnings per share
47.2 cents  43.8 cents  Underlying basis
23.5 cents  38 cents  Statutory basis

Read more on page 05

READ MORE ON PAGE 05

OTHER FINANCIAL MEASURES

Operating income
$14,289m  3%  Underlying basis
$14,425m  3%  Statutory basis

Read more on page 29

Profit before tax
$3,010m  175%  Underlying basis
$2,415m  490%  Statutory basis

Read more on page 29

Earnings per share
47.2 cents  43.8 cents  Underlying basis
23.5 cents  38 cents  Statutory basis

Read more on page 29

NON FINANCIAL KPIs

Diversity and inclusion: women in senior roles
25.7%  3.9%  Read more on page 05

Employee engagement
5.9%  146%  Read more on page 05

Read more on page 05

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### What we do

Serving client segments with differentiated expertise

**Global**

<table>
<thead>
<tr>
<th>Corporate &amp; Institutional Banking</th>
<th>Private Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving over 5,300 large corporations, governments, banks and investors.</td>
<td>Helping 7,000 high-net-worth individuals manage, preserve and grow their wealth.</td>
</tr>
<tr>
<td>Operating income</td>
<td>Operating income</td>
</tr>
<tr>
<td>$6,496m</td>
<td>$500m</td>
</tr>
<tr>
<td>Underlying basis</td>
<td>Underlying basis</td>
</tr>
<tr>
<td>$6,523m</td>
<td>$500m</td>
</tr>
<tr>
<td>Statutory basis</td>
<td>Statutory basis</td>
</tr>
</tbody>
</table>

**Regional**

<table>
<thead>
<tr>
<th>Commercial Banking</th>
<th>Retail Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting over 40,000 local corporations and medium-sized enterprises across Asia, Africa and the Middle East.</td>
<td>Serving over nine million individuals and small businesses.</td>
</tr>
<tr>
<td>Operating income</td>
<td>Operating income</td>
</tr>
<tr>
<td>$1,333m</td>
<td>$4,834m</td>
</tr>
<tr>
<td>Underlying basis</td>
<td>Underlying basis</td>
</tr>
<tr>
<td>$1,329m</td>
<td>$4,903m</td>
</tr>
<tr>
<td>Statutory basis</td>
<td>Statutory basis</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Central &amp; other items (segment)</th>
<th>Total operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>Operating income</td>
</tr>
<tr>
<td>$1,126m</td>
<td>$14,289m</td>
</tr>
<tr>
<td>Underlying basis</td>
<td>Underlying basis</td>
</tr>
<tr>
<td>$1,170m</td>
<td>$14,425m</td>
</tr>
<tr>
<td>Statutory basis</td>
<td>Statutory basis</td>
</tr>
</tbody>
</table>

**Global functions**

Our client-facing businesses are supported by seven global functions, which work together to ensure the Group’s day-to-day operations run smoothly and are compliant with banking regulations.

- **Human Resources**: Recruits and builds talent while providing learning and development opportunities to motivate colleagues.
- **Legal**: Enables sustainable business and protects the Group from legal-related risk.
- **IT & Operations**: Responsible for the Group’s operations, systems development and technology infrastructure.
Where we do it

Building a sustainable business in dynamic economies

<table>
<thead>
<tr>
<th>Greater China &amp; North Asia</th>
<th>ASEAN &amp; South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving clients in China, Hong Kong, Korea, Japan, Taiwan and Macau. The Group’s largest region by income.</td>
<td>Our largest markets in ASEAN &amp; South Asia by income are Singapore and India. We are active in all 10 ASEAN countries.</td>
</tr>
<tr>
<td>Operating income</td>
<td>Operating income</td>
</tr>
<tr>
<td>$5,616m</td>
<td>$3,833m</td>
</tr>
<tr>
<td>Underlying basis</td>
<td>Underlying basis</td>
</tr>
<tr>
<td>Statutory basis</td>
<td>Statutory basis</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Africa &amp; Middle East</th>
<th>Europe &amp; Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present in 25 markets, of which the most sizeable by income are the UAE, Nigeria, Pakistan and Kenya.</td>
<td>Centred in London and New York with a presence across both continents. Key income originator for the Group.</td>
</tr>
<tr>
<td>Operating income</td>
<td>Operating income</td>
</tr>
<tr>
<td>$2,764m</td>
<td>$1,601m</td>
</tr>
<tr>
<td>Underlying basis</td>
<td>Underlying basis</td>
</tr>
<tr>
<td>Statutory basis</td>
<td>Statutory basis</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Central &amp; other items (region)</th>
<th>Total operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$14,289m</td>
</tr>
<tr>
<td>Underlying basis</td>
<td>Underlying basis</td>
</tr>
<tr>
<td>Statutory basis</td>
<td>Statutory basis</td>
</tr>
<tr>
<td>Operating income</td>
<td>$14,425m</td>
</tr>
</tbody>
</table>

Risk & Compliance
Responsible for the sustainability of our business through good management of risk across the Group and ensuring that business is conducted in line with regulatory expectations.

Group COO
Provides control and governance to operating platforms and processes, ensuring operating efficiency.

Group CFO
Incorporates seven support functions: Finance, Treasury, Strategy, Investor Relations, Corporate Development, Supply Chain and Property. The leaders of these functions report directly to Andy Halford, Group Chief Financial Officer.

Corporate Affairs & Brand and Marketing
Manages the Group’s communications and engagement with stakeholders in order to protect and promote the Group’s reputation, brand and services.

Read more about our regions’ performance on pages 23 to 26.
Group Chairman’s statement
Focused on unlocking potential while strengthening culture and resilience

In my statement last year – my first as Chairman of the Group – I committed to focus my efforts on three priorities: helping the Group to unlock its true potential; improving its resilience to shocks; and ensuring excellent governance and the highest ethical standards. This is critical to achieving sustainable, long-term growth and improving long-term value.

Unlocking the Group’s potential
The Group’s underlying profit before tax trebled in the last year. This is encouraging given that the extraordinary engine that sits within the Group is not yet firing on all its cylinders, but we must improve the result further.

To increase the Group’s returns over the medium term, we need to grow income in a strong, safe and sustainable manner, while maintaining both cost and capital discipline. We are confident that we can do this. There are clear links between the global economy, international banks and trade that are fundamentally tied to global growth and prosperity. As one of the world’s top-three trade banks, the Group is ideally positioned to benefit from the opportunities that the continuing recovery in global trade will bring.

Banking plays a crucial role at the heart of the economy and in the lives of individuals. We are privileged to be present in some of the most exciting and dynamic economies in the world, which are inhabited by two-thirds of the world’s population. This unique position brings with it a tremendous responsibility. Our obligation is to carry out our business in a way which not only provides returns for our shareholders but also delivers good things for society: our clients, communities, and people. All of our extensive work in our markets to improve standards of conduct and control is aimed at helping to improve the lives of people in the communities where we work, through enabling sustainable growth. We complement this with our successful health and education programmes such as Seeing is Believing (seeingisbelieving.org) and Goal (sc.com/goalprogramme).

Improving our resilience
We have experienced a decade of lower economic growth, subdued world trade, low interest rates, stricter regulation and increasing competition, including from the technology sector. Recent political controversies about globalisation have further complicated the situation.

Yet, as Bill Winters describes in his review, many indicators are now changing in a positive direction. Economic forecasts have been upgraded again, with global growth broadening and projected to improve this year and next, and world trade continues to advance at a healthy pace. It is up to us to continue working hard to identify and seize the opportunities as they arise, becoming more competitive, embracing technological change and innovation, and continuing to develop attractive value propositions for our clients.

At the same time, we should be mindful of the risks around this favourable outlook. These range from the geopolitical situations in North Korea and the Middle East, and protectionist fears, to those stemming from the challenges of normalising monetary policy in an environment of elevated market valuations and high leverage. The realisation of some of these risks could provoke sharp market corrections, undermine the global recovery and adversely affect emerging markets that are more leveraged or exhibit weaker fundamentals. It is essential that we continue our efforts to increase the Group’s resilience to such potential shocks.

I believe the completion by international standard setters of the international regulatory capital framework for banks, known as Basel III, is a positive development for the industry overall. Although banks, as well as their investors and clients, do not yet know precisely how the rules will be applied in practice, having the framework in place is an important step towards a more resilient banking system that supports the real economy.

Against this backdrop, the Group’s strengthening position was evident in several respects in 2017. The quality of our balance sheet improved significantly, loan impairment reduced to around half the level it was in 2016, and we passed what was considered the toughest Bank of England stress test to date. It is critical that we maintain the focus and progress into 2018 while – as I said at this time last year – being willing to adapt and make the necessary decisions as conditions evolve.
Ensuring excellent governance

The independent, externally facilitated Board evaluation that I commissioned shortly after becoming Chairman concluded that the Board is operating effectively and provided useful ideas on how to maximise its leadership to the Group. More details can be found in the Directors’ report.

Towards the end of the year, following the departure of Dr Kurt Campbell, Dr Ngozi Okonjo-Iweala joined us as an independent non-executive director. Ngozi has significant geopolitical, economic, risk and development experience at a government level and in international organisations. She twice served as Finance Minister in Nigeria, Africa’s largest economy and one of our most significant African markets, and was part of the senior leadership of the World Bank. I would like to take this opportunity to thank Kurt for his significant contributions to the Group, and welcome Ngozi to the Board.

We also recently announced the appointment of Christine Hodgson as Senior Independent Director of the Group, in addition to her current role as Chair of the Remuneration Committee. Christine takes over this role from Naguib Kheraj, who will remain as Deputy Chairman and Chair of the Audit Committee.

Embedding a culture of ethical banking

Deeply embedding a culture of ethical banking will ensure we are able to deliver for our investors, our clients, our colleagues and our communities. Good conduct – doing business in the right way – can, and will, be a powerful differentiator for our Group.

Since I wrote to you in the 2017 Half Year Report, I have continued to travel extensively across our franchise, meeting our clients, colleagues, investors, regulators and other stakeholders. This has reinforced for me what an extraordinary organisation we have, with talented and dedicated colleagues and remarkably strong client relationships.

As part of our focus on brand and culture in 2017, we engaged with our colleagues around the world to identify the essence of what we stand for, who we are and how we need to behave to deliver our full potential. This led to our invigorated purpose statement – “Driving commerce and prosperity through our unique diversity” – and a refreshed set of valued behaviours. These are designed to support the Group’s desired culture, drive our transformation and increase our returns and resilience.

The Board continues to oversee far-reaching changes to transform the Group’s response to financial crime. This is a critical journey, and we must remain focused on delivering this transformation to provide the foundation for a strong, sustainable business in the long term.

Dividend

In recognition of our increased confidence in the prospects for the Group, I am pleased to report that we are recommending the resumption of dividends with an 11 cent per share distribution in respect of 2017. The Board understands the importance of the ordinary dividend to shareholders and intends to increase the full year dividend per share over time taking into account the earnings outlook, group and local regulatory capital requirements and opportunities to invest to grow the business.

Conclusion

This is an exciting time to be at Standard Chartered. I remain convinced that if we work hard, with dedication, passion and creativeness to seize the opportunities ahead of us, our future will be bright. I look forward to updating you on our progress in our 2018 Half Year Report.

José Viñals
Group Chairman
27 February 2018
In 2015, we set out a strategy designed to address our performance issues and reposition our business for success. We needed to secure our foundations, become lean and focused, and continually invest and innovate. Thanks to the outstanding efforts of our 86,000 colleagues around the world, I am proud to say we are succeeding.

Financial performance in 2017 has been steady rather than spectacular but has significantly improved. The trebling of underlying profits, a strong capital position and emerging regulatory clarity allows us to resume paying dividends.

Of course, we have a long way to go. We are working hard to establish income growth momentum across all our businesses, and our return on equity continues to fall short of our cost of capital. At the time of writing we are just under halfway to our initial milestone of 8 per cent underlying return on equity.

Our key investment areas are growing well and we are encouraged by our start to 2018. Loan impairments are at less than half the levels of recent years and we have made substantial progress on the items we set out for restructuring. Our enhanced resilience has been confirmed by our performance in the most recent Bank of England stress tests, which we passed without caveat. Despite this progress, we are not complacent and remain focused on further enhancing the risk management framework and capabilities of the Group, particularly in areas such as cyber security.

We are ahead of our plans to remove inefficient cost from the business. This has enabled us to increase investment significantly while remaining on track to hold overall expenses flat over the initial three years of our plan to the end of 2018. We are also working to instil a culture of excellence across our organisation. As José Viñals noted in his Chairman’s statement, we recently re-set expectations for every employee of the Group, based on three new valued behaviours: Do the right thing, Never settle, and Better together. Taken together these behaviours will help us to continuously challenge the way we do things, make better decisions, and hold each other accountable for delivery. They will be ingrained into every aspect of our business as we seek to put the client experience at the centre of every plan, every process, and every product offering. They will also inform our hiring policies and how we measure individual performance. We are building a truly client-centric organisation with no tolerance for complacency or mediocrity.

We have increased the rate of investment in our business by over 50 per cent since 2015, spending close to $1.5 billion in 2017 to improve our controls and bolster our franchise capabilities. We have focused on the areas we set out in 2015: the opening of China, the digitisation of Retail Banking, the wealth management needs of the growing affluent populations across our markets, and the ongoing development of countries in Africa. We are beginning to see the pay-back in terms of client satisfaction and strong income momentum in these areas, which together with our highly relevant network offering and strong brand are the foundations for our future. We were convinced these were the areas of our competitive advantage in 2015 and we believe it even more so today.

Technology is already changing the financial services landscape, reflecting evolving client expectations. While it threatens the status quo in some respects it will also be a source of relative advantage for us. Our presence in more than 60 markets gives us an unparalleled opportunity to test and refine new concepts in single locations before rolling them out across many. We are doing this in Côte d’Ivoire currently, trialling a purely digital retail banking offering. And as one of the world’s leading trade banks we are ideally placed to drive a better client experience and higher returns for our shareholders by utilising new technologies. For example, we are using blockchain technology to streamline cross-border payments as part of the first live, real-time payments corridor between Singapore and India that we initiated in 2017. We will expand this capability to five more pairs of countries in 2018.

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Investing and innovating

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Business performance

Our Corporate & Institutional Banking business has been re-positioned around our core strengths as a global network bank. This focus enabled us to on-board over 90 mainly OECD-based multinational companies in 2017. They were attracted by our strength in the emerging markets where they are investing. Early incremental income gains from this cohort are encouraging.

Simon Cooper, the CEO of this business, explained at an investor seminar in November how over the coming years we will grow the top line further, while improving our efficiency through cost management, process improvement and upgrading technology. He also outlined initiatives to allocate capital more effectively within the business and further improve its funding mix. At the same seminar the new head of our Financial Markets business Roberto Hoornweg explained our plans to re-establish it as a leading risk manager in global markets and the leading provider in emerging markets.

The Retail Banking business has continued to attract more affluent clients in core commercial cities across our footprint and to improve our digital offering. We have successfully targeted Priority clients with improved wealth and advice products and a more focused service offering. As a result, the proportion of income generated from that segment grew from 39 per cent to nearly 45 per cent in 2017, constituting most of the business’s 7 per cent income growth in the year, excluding the effect of exiting Thailand and the Philippines. Over the same period the proportion of Retail Banking clients that are digitally active rose from just under 40 per cent to around 45 per cent.

Ben Hung, who took over as CEO of Retail Banking in November, will host an investor seminar later in the first half of this year in which he will further explain our plans and ambitions for this business.

The ongoing transformation of our Commercial Banking business is delivering results. Enhanced frontline management and risk monitoring has translated into significantly lower loan impairment. It has returned to profitability and is now far better integrated with the other client segments, which will help it to generate higher quality and more sustainable income.

In Private Banking, we have continued to make significant investments in people and technology. We are encouraged by the increase in net new money driven in part by higher productivity from our new relationship managers, and in 2018 the business will target further improvements in both respects.

Group outlook

We believe these business initiatives will help the Group generate income at a compound annual growth rate of between 5 and 7 per cent in the medium term, with our personal banking businesses likely to grow at a relatively faster rate than our corporate businesses, given our focus on optimising the returns from our credit portfolios. We expect to achieve this growth while tightly managing costs, which we aim to increase below the rate of inflation across the Group. The operating leverage this creates, together with our continued focus on risks, will enable us to deliver an underlying return on equity above 8 per cent in the medium term.

Continued focus on conduct

Group-wide awareness of our collective responsibility to our clients and the communities that we serve has tangibly improved. We have developed and implemented a framework defining and identifying good conduct, and I have made it a strategic priority in 2018 for every segment and region rigorously to review, refine and strengthen our conduct environment. While incidents cannot be entirely avoided, we have no tolerance nor appetite for breaches of laws and regulations, and are determined to ensure that our employees do the right thing.
It also remains a central part of our mission to help combat financial crime. Over the course of 2017, our work has made a real impact by identifying and preventing criminal activity in the financial system. We continue to innovate, putting into place more efficient and effective tools, practices and processes that should position us among the leaders in discovering and disrupting financial crime. We take our responsibility as a leading international bank seriously and continue to invest significantly in improving standards across our markets through our correspondent banking and new NGO academies. Significantly, in 2017, the New York State Department of Financial Services recognised that the Group has made “substantial progress” towards remediating past financial crime controls issues and noted that we remain “fully committed” to finishing the job. As described on page 259, we continue to cooperate with authorities in the US and the UK in their investigations of past conduct and are engaged in ongoing discussions to resolve them. Concluding these historical matters, which could have a substantial financial impact, remains a focus for us.

The external outlook

The global economic environment continues to improve. Productivity remains weak but is improving, and inflation remains low. Commodity prices have increased but are still at levels that do not threaten global growth. Geopolitical risks remain high but have not affected economic activity. We expect these conditions to persist for some time, and as such expect interest rates to continue to normalise and trade volumes to increase. We expect the Middle East region to return to growth in 2018, while many sub-Saharan Africa economies are showing signs of stabilisation and recovery.

Conclusion

We have made encouraging progress in transforming the Group, the path ahead is clear and we are now well positioned to drive sustainable profit growth across our markets. We remain focused on improving our service to our clients, generating strong returns for our investors, and contributing even more to the communities in which we operate. This will enable us to realise the Group’s full potential.

Bill Winters
Group Chief Executive
27 February 2018
Driving commerce and prosperity through our unique diversity

Working with NGOs to fight financial crime

Our efforts to fight financial crime can have unintended consequences for clients that deliver critical humanitarian services to people in need.

Financial crime controls can prevent legitimate payments to and from development and non-profit organisations providing humanitarian programmes in countries where bribery, corruption and money laundering are prevalent.

We are helping these clients to mitigate financial crime risk through education. In October 2017, we hosted our first Financial Crime Risk Management workshop in Washington for US-headquartered clients in partnership with the World Bank Group, World Vision and the US NGO-membership group InterAction.

The event shared international best practices in financial crime compliance and showed organisations how they could strengthen their fraud, anti-money laundering and counter-terrorist financing controls. We also offer free financial crime compliance e-learning modules to our NGO clients.
Macroeconomic factors affecting the financial landscape

Trends in 2017

- The world economy enjoyed a cyclical recovery in 2017, growing at an estimated 3.8 per cent, compared to 3.2 per cent in 2016
- Emerging markets, led by Asia, continued to be the main driver of global growth, though growth also picked up in major developed economies
- The euro area saw an acceleration in growth in 2017 of approximately 2.3 per cent, up from 1.8 per cent in 2016, despite concerns about geopolitical risks
- Expectations of fiscal stimulus from the US following the US Presidential election faded and monetary policy remained the main support for US growth
- Major central banks including the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England signalled an end to ultra-easy monetary policy but policy still remained very accommodative

Outlook for 2018

- Global growth is expected to remain strong at 3.9 per cent in 2018
- Growth will remain faster in emerging markets, with Asia continuing to grow at a robust 6.1 per cent
- Major central banks are expected to continue to tighten monetary policy very gradually, removing some of the extraordinary support for the global economy. This is expected to keep the market risk environment benign and supportive for emerging markets
- Recovering oil prices are also expected to support the recovery of growth in commodity-dependent countries in Africa, the Middle East and Latin America

Regional trends and outlooks

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>2017 Growth</th>
<th>2018 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China &amp; North Asia</td>
<td>China</td>
<td>6.9%</td>
<td>6.5%</td>
</tr>
<tr>
<td></td>
<td>Hong Kong</td>
<td>3.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td></td>
<td>Korea</td>
<td>3.1%</td>
<td>2.8%</td>
</tr>
<tr>
<td>ASEAN &amp; South Asia</td>
<td>India</td>
<td>6.5%</td>
<td>7.2%</td>
</tr>
<tr>
<td></td>
<td>Indonesia</td>
<td>5.1%</td>
<td>5.2%</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>3.2%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Africa &amp; Middle East</td>
<td>Nigeria</td>
<td>0.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td></td>
<td>UAE</td>
<td>0.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Europe &amp; Americas</td>
<td>UK</td>
<td>1.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>2.3%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>
China’s economy has benefitted from healthy demand for its exports, a risk-averse political backdrop and recovering industrial profits.

While real activity may decelerate moderately in H1 2018, as property tightening measures and an end to inventory build limit investment growth, we expect a solid economic performance, with growth of 6.5% expected in 2018.

China’s authorities are increasingly focusing on the quality of growth and addressing medium-term vulnerabilities including corporate debt.

Hong Kong’s expected growth of 3.0% will be moderate compared to the 3.7% growth seen in 2017 as the cyclical recovery in trade fades.

Growth in Japan is likely to be at 1.2% aided by still easy monetary policy and fiscal policy, and a supportive external demand environment.

Greater China & North Asia

China’s economy has benefitted from healthy demand for its exports, a risk-averse political backdrop and recovering industrial profits.

While real activity may decelerate moderately in H1 2018, as property tightening measures and an end to inventory build limit investment growth, we expect a solid economic performance, with growth of 6.5% expected in 2018.

Growth in economies with proactive government investment in infrastructure projects – including Indonesia, the Philippines and Thailand – should be supported, even if external demand is softer than in 2017.

Inflation has remained low in the region, allowing central banks to keep monetary conditions loose. The possibility of further rate cuts, however, is low as inflation starts to pick up on the back of higher commodity prices.

India is likely to start recovering from the slowdown accompanying reforms in 2017. At 7.2%, India’s growth will be one of the strongest in the emerging market space.

Growth across Africa will continue to rebound in 2018 compared to 2017. The expected recovery will be driven by large economies that emerged from recession in 2017, namely oil producers Angola and Nigeria, and by South Africa, where external demand has lifted mining and manufacturing.

For oil importers, the boost to growth from lower oil prices has likely run its course.

2018 should bring a pick-up in headline growth in the Middle East.

GDP related to oil production is likely to be flat, while non-oil economic growth will be constrained by geopolitical worries that will weigh on consumer and business confidence.

Growth in the US and euro area is likely to exceed 10-year averages with growth exceeding 2.0% in both regions.

Political risk will remain in Europe, led by Italy’s elections. UK Brexit talks with the European Union have been positive, with a transition deal likely beyond 2019 until a trade deal is finalised.

The ECB will continue to taper its quantitative easing purchases, even though inflation is likely to take time to move back to the close-to-but-lower-than-2% target.

In the US, tax reform and increased fiscal expenditure will lend support to the growth outlook for 2018 and 2019.

The US Fed rate is likely to reach 2.5% by end-2018.

Medium- and long-term view

Ongoing global growth recovery is cyclical in nature and therefore vulnerable; structural challenges remain. Productivity growth is weak, especially in developed countries.

Long-term growth in the developed world is constrained by high levels of indebtedness and ageing populations.

There is reason to be more optimistic on long-term growth prospects for emerging markets. Unencumbered by old infrastructure, many of these countries can adopt the latest technologies and the associated infrastructure, boosting productivity growth.

Relatively younger populations in many emerging markets, as well as adoption of digital technology, will allow emerging markets to become increasingly more important for the global growth story.

Rising nationalism, anti-globalisation and protectionism are a threat to long-term global growth prospects, including emerging markets.

Trends and outlook for our four regions
Business model

A business model

built on long-term relationships

We have a sustainable approach to business and strive to achieve the highest standards of conduct. Our business model and strategy are built on capturing the opportunities inherent in our unique footprint by developing deep relationships with clients across our network and in local markets.

Developing these relationships means using both our tangible and intangible resources in a sustainable and responsible manner, deploying them to maximum impact on our profitability and returns.

Our resources

We aim to use resources in a sustainable way, to achieve our long-term strategic objectives.

**Human capital**

Our diverse colleagues are our greatest asset. Being part of the local fabric of our markets means we understand our clients’ needs and aspirations, and how these can be achieved.

- 86,000 employees
- 15,000 non-employed workers
- 46% female

**Strong brand**

We are a leading international banking group with over 150 years of history and in many of our markets we are a household name.

**International network**

We have an unparalleled international network, connecting companies, institutions and individuals to, and in some of the world’s fastest-growing and most dynamic regions.

**Financial strength**

With over $600 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

**Local expertise**

We have a deep knowledge of our markets and a privileged understanding of the drivers of the real economy, offering us insights that can help our clients achieve their ambitions.

Our purpose makes us different

Our purpose is what sets us apart: we drive commerce and prosperity through our unique diversity. Our strategy helps us achieve our purpose.

We drive commerce and prosperity through our unique diversity

- **Client focus**
  - Our clients are our business. We build long-term relationships with them.
  - 5,300 corporations, governments, banks and investors
  - 40,000 commercial banking clients
  - 9m individual clients
  - 260,000 business banking clients
  - 7,000 private banking clients

- **Robust risk management**
  - We are here for the long term. Effective risk management allows us to grow a sustainable business.

- **Distinct proposition**
  - Our unique understanding of our markets and our extensive international network allow us to offer a truly tailored proposition to our clients, combining global expertise grounded in local knowledge.

- **Sustainable approach to business**
  - We promote social and economic development by contributing to sustainable economic growth through our core business of banking, by being a responsible company and by investing in our communities.

For more details on how we deliver on our business model, see our Strategy section on page 14.
What we deliver

We deliver an extensive set of solutions, products and services, adapted to the needs of our clients.

<table>
<thead>
<tr>
<th>Global</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients in our global businesses are supported by relationship managers with a global reach</td>
<td>Country-level relationship managers support clients in our regional businesses. To ensure efficiency and consistency, and to enable greater investment, we have a global oversight of our systems and products.</td>
</tr>
</tbody>
</table>

Corporate & Institutional Banking

Retail Banking

Commercial Banking

See our client segment reviews on pages 18 to 21

Products and services

<table>
<thead>
<tr>
<th>Retail Products</th>
<th>Wealth Management</th>
<th>Corporate Finance</th>
<th>Financial Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>Investments</td>
<td>Structured and project financing</td>
<td>Investment</td>
</tr>
<tr>
<td>Savings</td>
<td>Portfolio management</td>
<td>Strategic advice</td>
<td>Risk management</td>
</tr>
<tr>
<td>Mortgages</td>
<td>Insurance and advice</td>
<td>Mergers and acquisitions</td>
<td>Debt capital markets</td>
</tr>
<tr>
<td>Credit cards</td>
<td>Planning services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal loans</td>
<td>Transaction Banking</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Payments and transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Securities services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade finance products</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial performance

<table>
<thead>
<tr>
<th>Income</th>
<th>Profits</th>
<th>Return on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>Income gained from providing our products and services minus expenses and impairments</td>
<td>Profit generated relative to equity invested</td>
</tr>
<tr>
<td>Fee income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The value we create

We aim to create long-term value for a broad range of stakeholders, in a sustainable manner.

- **Clients**
  - We enable individuals to grow and protect their wealth.
  - We help businesses to trade, transact, invest and expand.
  - We also help a variety of financial institutions – including banks, public sector clients and development organisations – with their banking needs.

- **Regulators and governments**
  - We engage with relevant authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

- **Investors**
  - We aim to deliver robust returns and long-term sustainable value for our investors.

- **Colleagues**
  - We offer colleagues opportunities to learn and progress.
  - We encourage them to improve, innovate, take ownership of their careers and succeed together.

- **Society**
  - We strive to operate as a responsible and sustainable company, driving prosperity through our core business, and collaborating with local partners to promote social and economic development.

More detail can be found in our stakeholders and responsibilities section on page 36.
Our strategy

A strategy addressing long-term trends

Our strategy was developed against the backdrop of six long-term trends, which will continue to significantly shape the economies and broader landscape in the markets in which we operate. We believe that each of these long-term trends presents opportunities that we are uniquely positioned to capture.

1. **Rise of urban middle class**
   Markets in our footprint are urbanising rapidly and becoming more consumption-led, driving rapid growth in demand for wealth and financing solutions.
   
   **Our strategic response:** Focus on the affluent and wealth offerings

2. **Digital revolution**
   Digital adoption in our markets is often ahead of otherwise more developed Western markets. Digitisation offers an opportunity for us to deliver more convenient and efficient solutions to clients and thus to increase our client reach and engagement in a cost-effective manner.

   **Our strategic response:** Accelerate pace of our digitisation

3. **Increasing regional connectivity**
   Despite a rise in anti-globalisation sentiment in several parts of the world, we are witnessing in the long term the emergence of complex supply chains, combined with new frameworks for cooperation, such as the Belt and Road initiative and the ASEAN Economic Community. With our long history in the markets that are driving these trends, we are uniquely positioned to capture the benefits they bring.

   **Our strategic response:** Leverage our network capabilities

4. **Financial deepening and evolving regulation**
   Clients are increasingly looking for innovative cross-border funding, cash management and investment solutions, coupled with local hedging instruments to better manage risks. This, along with the growing sophistication of the financial services sector, and ongoing government-led reform, is driving the deepening and internationalisation of local capital markets in our footprint.

   **Our strategic response:** Strengthen our capital markets capabilities

5. **The rise of renminbi (RMB)**
   The launch of the Cross-Border Interbank Payment System and the inclusion of RMB in the International Monetary Fund’s Special Drawing Rights basket of currencies are major landmarks on the RMB’s path to internationalisation. We expect that by 2020, 5 per cent of global international payments could be settled in RMB.

   **Our strategic response:** Maintain leadership in RMB

6. **The growth of Africa**
   Backed by a large workforce and a growing, connected urban middle class, there are many growth opportunities across African economies. This is particularly the case in sectors such as agriculture, fast-moving consumer goods and infrastructure.

   **Our strategic response:** Focus on urban Africa

Within this context, we continue to believe in the inherent value and strength of the Standard Chartered franchise and its ability to deliver financial performance.
1 Secure the foundations
Ensure that we have a strong capital position, with a balanced client and product portfolio

2 Get lean and focused
Drive the shift towards sustainable, profitable growth in returns-accrative businesses, and improve productivity

3 Invest and innovate
Invest in improvements to drive better client experience, meet clients’ demands, and drive growth and cross-bank collaboration

Our strategy is focused on capturing the existing growth opportunities in our footprint, by developing deep, long-term relationships with our clients and helping them connect across our markets.
### Delivering against our strategic objectives

**Well positioned to capture the opportunities in our markets**

We take external risk factors into account as part of our strategy and ensure that we are always prepared adequately. These include macro and geopolitical changes globally and in countries where we operate, pressure on profitability, and disruption from new uses of technology. We believe that we are in a unique position to capture the growth in our markets through strengths like our cross-border proposition, comprehensive product range and high standards for the way we do business. At the same time, we are addressing areas that will further strengthen the Group, such as continuing to focus on conduct and fighting financial crime, shifting the mix in our client and product books towards our target segments and businesses, improving and digitising our processes, and strengthening our areas of competitive differentiation.

Since 2015, we have made significant progress against the Group’s three strategic objectives. We have tracked progress against these through our Group scorecards, which contain a mix of quantitative performance indicators, such as return on equity, loan impairment and capital adequacy, and qualitative performance indicators, such as the shift in our portfolio mix towards different client profiles and returns-accretive businesses, as well as client sentiment metrics such as the net promoter score. Some selected indicators are highlighted below.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Progress in 2017</th>
<th>Focus for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Secure the foundations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have substantially completed this objective, putting us in a position of strength from which to drive business growth confidently</td>
<td>CET1: 13.6% (2016: 13.6%)</td>
<td>Maintain a strong capital position</td>
</tr>
<tr>
<td></td>
<td>Loan impairment: $1.2bn (underlying) (2016: $2.4bn)</td>
<td>Continue efforts to further strengthen risk controls and conduct</td>
</tr>
<tr>
<td><strong>2. Get lean and focused</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have continued the restructuring of our businesses and the shift towards sustainable, profitable growth</td>
<td>Profit before tax: $3.0bn (underlying) (2016: $1.1bn)</td>
<td>Drive income within our desired risk appetite, and contain costs, leveraging technology</td>
</tr>
<tr>
<td></td>
<td>Return on equity: 3.5% (underlying) (2016: 0.3%)</td>
<td>Focus on driving sustainable momentum in capital and returns-accretive businesses</td>
</tr>
<tr>
<td><strong>3. Invest and innovate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have invested to improve the way we serve our clients and the way we collaborate. Examples include significant investments in automation and a revamped learning offering for colleagues</td>
<td>Digitisation and analytics driving efficiency and superior client service</td>
<td>Ambitious investment plan in technology to drive business</td>
</tr>
<tr>
<td></td>
<td>Retail Banking digital adoption: 44.7% of clients (2016: 39.6%)</td>
<td>Invest in our colleagues and culture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leverage our unique diversity to serve our clients better</td>
</tr>
</tbody>
</table>

For more insights on strategy-related risks see our Group Chief Risk Officer’s review on pages 33 to 35. For more information on progress in 2017 and focus for 2018 see our Group Chief Financial Officer’s review on pages 28 to 32.
Driving commerce and prosperity through innovation

Innovative solutions in Kenya

For over 20 years, we have provided tailored solutions and expert advice to meet the unique requirements of Africa Flight Services, a leading provider of logistical and ground handling services in Kenya.

We’ve helped Africa Flight Services (AFS) develop its expansion programmes by utilising our global footprint and experience in the field of corporate finance. AFS, which owns and operates the largest transit hub in the East and Central Africa region, has unique requirements that are met with bespoke financial solutions by our experienced relationship managers. This, combined with our competitive product portfolio and personalised service, has allowed our partnership with AFS to span over 20 years. Standard Chartered has been the primary banker and financial services partner for the company since 1994.
Corporate & Institutional Banking

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

LEADING DIGITAL CHANNELS
A single gateway for payments in China
In February 2017, we became the first international bank to launch a mobile wallet collection service in China. Having worked closely with national and international businesses and banking institutions in China we recognised the need for a single digital gateway to connect and consolidate multiple payment channels. Within six months, we implemented solutions for 17 corporates across China and have assisted them with more than 26,000 payment transactions. That number is growing daily.

KPIs
Proportion of low returning client risk-weighted assets
Aim Reduce the proportion of risk-weighted assets deployed in Corporate & Institutional Banking that are delivering low returns.

<table>
<thead>
<tr>
<th>Year</th>
<th>Proportion of low returning client risk-weighted assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>13.1%</td>
</tr>
<tr>
<td>2016</td>
<td>15.6%</td>
</tr>
<tr>
<td>2017</td>
<td>16.8%</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.

Collaboration with other client segments
Aim Increase collaboration with other client segments to generate cross-segment business opportunities.

<table>
<thead>
<tr>
<th>Year</th>
<th>New sign-ups</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>89k</td>
</tr>
<tr>
<td>2016</td>
<td>127k</td>
</tr>
<tr>
<td>2017</td>
<td>158k</td>
</tr>
</tbody>
</table>

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 $873m 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

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**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.
- **2015**: 35.8% of clients
- **2016**: 39.6% of clients
- **2017**: 44.7% of 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% in 2016 to 44.7% per cent at the end of 2017.

**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.
- **2015**: 35.1% of income
- **2016**: 39.0% of income
- **2017**: 44.8% of income
- **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.

Strategic priorities
→ Drive quality sustainable growth by deepening relationships with our existing clients and attracting new clients that are aligned with our strategy, with a focus on rapidly growing and internationalising companies in our footprint
→ Improve client experience, through investing in frontline training, tools and analytics
→ Continue to enhance credit risk management and monitoring and maintain a high bar on operational risk

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>Growth 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>Straight2Bank usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>38.0%</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

$1m
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

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</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$0.3bn</td>
</tr>
<tr>
<td>2016</td>
<td>$2.0bn</td>
</tr>
<tr>
<td>2017</td>
<td>$2.2bn</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>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>N/A</td>
</tr>
<tr>
<td>2016</td>
<td>17.4%</td>
</tr>
<tr>
<td>2017</td>
<td>27.7%</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.

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 digitisation, 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

BUILDING SKILLS FOR THE FUTURE

Mentoring the next generation of leaders

At Standard Chartered, we believe the next generation will play a critical role in shaping the world’s future. Our Future Global Leaders’ Programme, part of our offering to Private Banking clients, is designed to harness the skills of tomorrow’s influencers. The programme brings together future leaders aged between 20-35 to help them connect as a global community, and develop leadership, philanthropy, sustainability and entrepreneurship skills, so that they can maximise their potential and enable others to do the same. In 2017, we held the programme in London, Cape Town, Delhi and Singapore.
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

**Loans and advances to customers**

<table>
<thead>
<tr>
<th></th>
<th>$85bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China &amp; North Asia</td>
<td>44% of Group</td>
</tr>
</tbody>
</table>

**Income split by key markets**

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>60%</td>
</tr>
<tr>
<td>Others</td>
<td>40%</td>
</tr>
</tbody>
</table>

**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
Regional reviews

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 due to 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

Income split by key markets

<table>
<thead>
<tr>
<th></th>
<th>Singapore</th>
<th>India</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>37%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td>37%</td>
</tr>
</tbody>
</table>

Loans and advances to customers

ASEAN & South Asia 29% of Group
Africa & Middle East

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.

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

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

Loans and advances to customers
- Africa & Middle East 10% of Group

Income split by key markets
- UAE 27%
- Others 73%

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
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

Highlights of 2017

- Profit before taxation
  - $71m underlying basis
  - $46m statutory basis
- Risk-weighted assets
  - $45bn
- Loans and advances to customers
  - Europe & Americas 16% of Group
- Income split by key markets
  - UK 46%
  - US 42%
  - Others 12%
Driving commerce and prosperity through our unique diversity

Supporting expansion in Sri Lanka

MAS Intimates Unichela, one of the largest apparel organisations in South Asia, has been working with us to expand its operations and commercial footprint. We used our strong presence in South Asia, as well as our international banking experience, to help MAS Intimates Unichela grow into an industry leader in the region. From payments and settlements to trade facilities and financing, our services have helped the company expand into countries such as Indonesia and Bangladesh and trade internationally. Our Relationship Managers have been pivotal in providing expert advice to benefit not only MAS Intimates Unichela, but also other businesses across South Asia.
Group Chief Financial Officer’s review

Significant improvement in the Group’s profitability

Performance summary

The significant improvement in the Group’s profitability in 2017 was a direct consequence of the many operational and financial actions taken since 2015 and provides a solid base off which to improve return on equity further over the coming years.

- Statutory profit before tax of $2.4 billion is stated after restructuring and other items of $595 million and was a significant improvement compared to the previous year. All commentary that follows is on an underlying basis unless otherwise stated and a reconciliation between statutory and underlying profit is provided in note 2 on page 211.

- Underlying profit before tax of $3.0 billion was 175% higher year-on-year and 71% higher excluding losses in 2016 in Principal Finance.

- Underlying operating income of $14.3 billion was up 3% year-on-year with good momentum across a range of products partly offset by industry-wide low volatility that affected Financial Markets.

- Underlying operating expenses of $9.9 billion excluding the UK bank levy were 3% per cent higher year-on-year primarily resulting from the implementation of some significant regulatory programmes and higher variable pay arising from the Group’s improved financial performance.

- Gross cost efficiencies were delivered ahead of plan and used to fund investments and offset inflation.

- The UK bank levy of $220 million was $163 million lower after updating estimates made in previous years. The UK bank levy in 2018 is expected to be around $310 million.

- Underlying impairment of loans and advances and other credit risk provisions of $1.2 billion was half the level it was in 2016 reflecting management actions to improve the quality of the Group’s portfolios.

- Profit from associates and joint ventures of $210 million was significantly higher than in 2016.

- The Group incurred net restructuring charges of $353 million taking the total since November 2015 to $3.1 billion with the exit of Principal Finance and the remaining exposures in the liquidation portfolio left to complete.

- Other items include goodwill impairment of $320 million following an increase in the discount rate applied to the Group’s subsidiary in Taiwan and a $78 million net gain on the disposal of equity investments.

- Changes to the US tax regime caused a reduction in the Group’s deferred tax assets of $220 million. The underlying effective tax rate excluding the impact of these reforms and tax on other normalised items was 32.0 per cent.

- The Group is well capitalised with a Common Equity Tier 1 (CET1) ratio of 13.6 per cent and is highly liquid. Customer loans and advances grew 12 per cent in the year, and liabilities 9 per cent.

- The impact of adopting IFRS 9 on 1 January 2018 is an increase in credit provisions of $1.2 billion and, in line with the Group’s previous guidance, an estimated decrease in the Group’s CET1 ratio by around 15 basis points. Under transitional rules the day-one impact on the CET1 ratio is negligible.

- Based on the 2017 balance sheet the Group’s early assessment of the impact of final Basel III reforms to be implemented in 2022 is an increase in the Group’s risk-weighted assets (RWAs) of 10-15 per cent.

- The Board has recommended resuming a dividend given improving financial performance and strong capital starting with a full year dividend for 2017 of 11 cents per ordinary share. The intent is to increase the dividend per share over time as the Group’s performance improves.

Underlying profit before tax 175% higher year-on-year

$3.0bn
Underlying income

Operating income of $14.3 billion was up 3 per cent year-on-year. Good momentum in Transaction Banking, Wealth Management and Deposits, particularly across Greater China & North Asia, together with higher Treasury income more than offset the impact of industry-wide lower volatility in Financial Markets.

- Corporate & Institutional Banking income was flat year-on-year. Excluding losses incurred in 2016 in relation to Principal Finance, income was 3 per cent lower as the impact of low volatility in Financial Markets more than offset higher income from Transaction Banking.
- Retail Banking income was 4 per cent higher year-on-year and 7 per cent higher excluding the impact of exiting Retail Banking in Thailand and the Philippines. The Group’s focus on Priority clients resulted in a strong performance in Wealth Management and Deposits. This more than offset the impact of lower margins on unsecured lending to Personal clients.
- Commercial Banking income was 3 per cent higher year-on-year with broad based growth in Transaction Banking, Financial Markets and Corporate Finance offsetting lower income from Lending.
- Private Banking income was 1 per cent higher year-on-year and 6 per cent higher excluding an insurance recovery booked in the first quarter of 2016. This followed good growth in income from investment products that now account for around 65 per cent of total assets under management.
- Income from Central & other items (segment) was 29 per cent higher year-on-year benefiting from a lower interest expense than in 2016. Gains in the first half from active interest rate management and a third quarter dividend from a strategic investment were largely offset by a hedge accounting adjustment in the fourth quarter.
- Income from Greater China & North Asia was up 8 per cent year-on-year following a strong performance in Hong Kong and further improvement in Korea.

- ASEAN & South Asia income was 5 per cent lower year-on-year. Excluding the impact of Retail Banking business exits, income was 2 per cent lower with improved performances in Retail Banking and Commercial Banking offset by the impact of low volatility in Financial Markets, particularly in Singapore which is a major Financial Markets hub for the region.
- Income from Africa & Middle East was broadly stable year-on-year and up 3 per cent on a constant currency basis.
- Europe & Americas income was 4 per cent lower year-on-year. The region’s status in the Group as a hub for Financial Markets activity meant it was particularly impacted by industry-wide lower volatility. The region is a significant contributor to the Group with around one-third of Corporate & Institutional Banking income originated with clients that are based there.

Underlying expenses

Other operating expenses of $8.6 billion were up 2 per cent year-on-year driven primarily by higher variable pay arising from the Group’s improved business performance.
Group Chief Financial Officer’s review continued

Performance summary continued

Regulatory costs of $1.3 billion were 15 per cent higher year-on-year, reflecting the implementation of a number of significant regulatory programmes. The UK bank levy of $220 million included a $165 million benefit in relation to changes to estimates made in previous years and as a result was $163 million lower year-on-year. The UK bank levy in 2018 is expected to be around $310 million.

The Group had by the end of 2017 delivered over 85 per cent of its $2.9 billion three-year gross cost efficiency target set in November 2015. This is ahead of plan and has created capacity to fund investments and offset inflation.

Underlying impairment

Loan impairment of $1.2 billion was half the level seen in 2016 benefiting from past actions taken to improve the Group’s risk profile. The year-on-year improvement was broad-based by client segment and region. Increases in loan impairment in the fourth quarter related to a small number of Commercial Banking clients the Group had been monitoring for some time and a one-off provision in Retail Banking following a change to regulation in Korea.

Other impairment was lower year-on-year following the Group’s decision to exit Principal Finance which in 2017 was reported within restructuring and is therefore excluded from the Group’s underlying performance.

Profit from associates and joint ventures


Underlying profit before taxation

<table>
<thead>
<tr>
<th>Region or Segment</th>
<th>2017</th>
<th>2016</th>
<th>Better/(worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate &amp; Institutional Banking</td>
<td>1,261</td>
<td>435</td>
<td>190</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>873</td>
<td>766</td>
<td>14</td>
</tr>
<tr>
<td>Commercial Banking</td>
<td>282</td>
<td>(120)nm</td>
<td></td>
</tr>
<tr>
<td>Private Banking</td>
<td>(1)</td>
<td>32</td>
<td>nm</td>
</tr>
<tr>
<td>Central &amp; other items</td>
<td>595</td>
<td>(20) nm</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying profit before taxation</strong></td>
<td><strong>3,010</strong></td>
<td><strong>1,093</strong></td>
<td><strong>175</strong></td>
</tr>
</tbody>
</table>

Profit before tax

As a consequence of the many actions taken since 2016 underlying profit before tax of $3.0 billion was 175 per cent higher year-on-year and 71 per cent higher excluding the impact of Principal Finance losses in 2016. Statutory profit before tax of $2.4 billion which is stated after restructuring and other items was $2.0 billion higher.

These actions have resulted in improved operating profit across most client segments including a significant increase in Corporate & Institutional Banking and good growth in Retail Banking, while Commercial Banking returned to profit. By region, improvement across Greater China & North Asia offset the impact of lower income from the Group’s Financial Markets hubs located in ASEAN & South Asia and Europe & Americas. The prior year performance in Central & other items (region) was impacted by Principal Finance losses.

Group credit quality and liquidation portfolio

The credit quality of the Group overall has improved year-on-year with the focus on better quality origination within a more granular risk appetite driving improvement across all client segments. The Group remains watchful for emerging risks in view of persistent challenging conditions as well as continued geopolitical uncertainty.

The Group’s client exposures are well collateralised, well diversified, and remain predominantly short tenor.

Non-performing loans

Gross non-performing loans (NPLs) in the ongoing business were $573 million higher year-on-year driven by increases related to the downgrade in the fourth quarter of a small number of Corporate & Institutional Banking clients partly offset by write-offs and recoveries in Commercial Banking and lower NPLs in Retail Banking. New inflows into NPLs related primarily to a small number of exposures that the Group had been monitoring for some time in the oil and gas support services sector and in India.

Credit grade 12 accounts

Credit grade 12 accounts were stable year-on-year. Increases in the fourth quarter related to the downgrade of a small number of Commercial Banking exposures in Africa & Middle East to reflect the continued challenging conditions there.

Cover ratio

The cover ratio of NPLs in the ongoing portfolio reduced from 69 per cent at 31 December 2016 to 63 per cent at 31 December 2017. The cover ratio including collateral increased from 74 per cent to 79 per cent over the same period, reflecting the higher degree of collateral held against new inflows into NPLs.

Liquidation portfolio

The Group has made significant progress exiting exposures in the liquidation portfolio having reduced gross NPLs by $1.6 billion since 31 December 2016. The Group has since November 2015 reduced RWAs associated with this portfolio from $20 billion to $815 million. The exposures are 86 per cent covered with net NPLs of $653 million remaining to be exited.
Risk review and Capital review

Supplementary information

Financial statements

Directors' report

2017

2016

Ongoing

Liquidation

Total

Ongoing

Liquidation

Total

business

portfolio

$million

$million

$million

$million

$million

$million

Impairment

Underlying loan impairment

1,200

–

1,200

2,382

–

2,382

Restructuring loan impairment

42

120

162

–

409

409

Statutory loan impairment

1,242

120

1,362

2,382

409

2,791

Loans and advances

Gross loans and advances

289,007

2,248

291,255

258,396

3,854

262,250

Net loans and advances

284,878

675

285,553

254,463

1,433

255,896

Credit quality

Gross non-performing loans

6,453

2,226

8,679

5,880

3,807

9,687

Individual impairment provisions

(3,607)

(1,573)

(5,180)

(3,355)

(2,421)

(5,776)

Net non-performing loans

2,846

653

3,499

2,525

1,386

3,911

Credit grade 12 accounts1

1,483

22

1,505

1,499

22

1,521

Cover ratio (%)

63

71

65

69

64

67

Cover ratio after collateral (%)

79

86

81

74

80

76

Risk-weighted assets

278,933

815

279,748

265,637

3,808

269,445

1 Includes Corporate & Institutional Banking and Commercial Banking

Restructuring and other items

The Group incurred restructuring charges in 2017 of $353 million relating primarily to the ongoing reduction of the liquidation portfolio and exit of the Principal Finance business as well as redundancy costs. Restructuring charges since November 2015 total $3.1 billion and are in line with guidance with the exit of the Principal Finance portfolio and the remaining exposures in the liquidation portfolio left to complete.

In 2017 as part of its annual assessment the Group incurred goodwill impairment of $320 million related to an increase in the discount rate applied to its subsidiary in Taiwan.

In 2017 the Group realised a $78 million net gain on completion of the disposal of equity investments.

<table>
<thead>
<tr>
<th>2017</th>
<th>Restructuring</th>
<th>Other items</th>
</tr>
</thead>
<tbody>
<tr>
<td>$million</td>
<td>$million</td>
<td>$million</td>
</tr>
<tr>
<td>Operating income</td>
<td>58</td>
<td>78</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(297)</td>
<td>(239)</td>
</tr>
<tr>
<td>Impairment losses on loans and advances and other credit risk provisions</td>
<td>(162)</td>
<td>(409)</td>
</tr>
<tr>
<td>Other impairment</td>
<td>(10)</td>
<td>(63)</td>
</tr>
<tr>
<td>Profit/(loss) from associates and joint ventures</td>
<td>58</td>
<td>(62)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>(353)</td>
<td>(242)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2016</th>
<th>Restructuring</th>
<th>Other items</th>
</tr>
</thead>
<tbody>
<tr>
<td>$million</td>
<td>$million</td>
<td>$million</td>
</tr>
<tr>
<td>Operating income</td>
<td>(85)</td>
<td>337</td>
</tr>
</tbody>
</table>

Balance sheet and capital

Balance sheet

Net loans and advances to customers were up 12 per cent year-on-year to $285.6 billion with strong and broad-based growth across a range of products including in the fourth quarter. Customer deposits of $411.7 billion were up 9 per cent year-on-year as the Group continued to focus on improving the quality and mix of its liabilities. As a result, the Group’s customer advances to customer deposits ratio increased to 69.4 per cent compared to 67.6 per cent as at 31 December 2016.

CET1 ratio

The Group is well capitalised with a CET1 ratio at the end of 2017 of 13.6 per cent. The benefit of profits after a deduction for a dividend was offset by a $10.3 billion increase in RWAs primarily relating to the application of loss given default (LGD) floors for certain exposures to financial institutions. A lower increase is expected in 2018 from the application of LGD floors for certain exposures to corporates.
Group Chief Financial Officer’s review continued

Balance sheet and capital continued

**IFRS 9**
The estimated impact of adopting IFRS 9 on 1 January 2018 is an increase in credit provisions of $1.2 billion and, in line with previous guidance, a reduction in the Group’s CET1 ratio by approximately 15 basis points. Under transitional rules some components of IFRS 9 are phased in over five years resulting in a negligible day-one impact on the CET1 ratio. More detail on the impact on loan impairment as well as the classification and measurement of financial instruments is set out in note 41 on page 304. The Group will publish a transition report ahead of the first quarter 2018 interim management statement.

**Final Basel III reforms**
In December 2017 the Basel Committee on Banking Supervision published final details of its Basel III reforms. First announced in 2010 as a response to the global financial crisis, these reforms seek to restore credibility in the calculation of RWAs and improve the comparability of banks’ capital ratios. These reforms that are expected to be implemented in 2022 include changes to the capital calculation methodology for credit and operational risk and introduce constraints on the estimates banks make when they use their internal models for regulatory capital purposes, and, in some cases, remove the use of internal models. National discretion and how these reforms might be transposed into law make it difficult to reliably estimate the impact but based on the 31 December 2017 balance sheet the Group’s early assessment is an increase in RWAs of 10-15 per cent.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 $million</th>
<th>2016 $million</th>
<th>Increase / (decrease) $million</th>
<th>Increase / (decrease) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to banks</td>
<td>81,325</td>
<td>74,669</td>
<td>6,656</td>
<td>9</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>285,553</td>
<td>255,896</td>
<td>29,657</td>
<td>12</td>
</tr>
<tr>
<td>Other assets</td>
<td>296,623</td>
<td>316,127</td>
<td>(19,504)</td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>663,501</td>
<td>646,692</td>
<td>16,809</td>
<td>3</td>
</tr>
<tr>
<td>Deposits by banks</td>
<td>35,486</td>
<td>37,612</td>
<td>(2,126)</td>
<td>(6)</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>411,724</td>
<td>378,302</td>
<td>33,422</td>
<td>9</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>164,484</td>
<td>182,120</td>
<td>(17,636)</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>611,694</td>
<td>598,034</td>
<td>13,660</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>51,807</td>
<td>48,658</td>
<td>3,149</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>663,501</td>
<td>646,692</td>
<td>16,809</td>
<td>3</td>
</tr>
<tr>
<td>Advances to deposits ratio (%)</td>
<td>69.4</td>
<td>67.6</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Common equity tier 1 ratio (%)</td>
<td>13.6</td>
<td>13.6</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Risk-weighted assets</td>
<td>279,748</td>
<td>269,445</td>
<td>10,303</td>
<td>4</td>
</tr>
</tbody>
</table>

**Summary**
We have made encouraging progress transforming the Group with good momentum in key investment areas contributing to significant improvements in both underlying and statutory profits. Competition remains strong and certain geopolitical tensions are elevated but economic conditions are improving and emerging regulatory clarity has allowed us to resume paying dividends.

It is encouraging to see the improvement in profitability and the increased balance sheet momentum but there is still a long way to go before returns are at acceptable levels. Transitioning to a higher quality income and more sustainable business takes time but we are evidently heading in the right direction.

We are investing to enhance controls and improve productivity to make us safer and simpler to do business with. Cost efficiencies are funding the investments in systems and processes that will enable us to engage more confidently and effectively with our clients.

The focus now is on ensuring that we share in the natural sectoral growth in our markets through maintaining and developing ever-closer relationships with our clients, further reducing our costs of funds and realising the benefits of our continuing technology investments.

**Andy Halford**
Group Chief Financial Officer
27 February 2018
Group Chief Risk Officer’s review

A refreshed approach to managing risk

2017 was a year of continued progress for the management of risk in the Group. With stronger origination discipline and targeted growth, the Group has seen improved asset quality across our businesses. Loan impairment was lower, and diversification across industry sectors and geographies increased as the Group continued to add new clients selectively. Our focus on embedding a sustainable risk culture and an effective enterprise risk management approach is helping to build a more resilient bank for the benefit of our colleagues, clients and investors.

We have made significant progress in our work to combat financial crime and have increased focus on our cyber risk management capabilities. We recognise that these are continually evolving threats and we cannot stand still in our fight to protect our business and society more generally. In addition we have developed a framework to refine and strengthen our conduct environment, and this will be a key priority in 2018. Risk is a shared responsibility of everyone in the Group, and is an intrinsic part of every decision that we make.

An update on our key risk priorities

Risk management is a dynamic process. Market-wide and company-specific factors constantly reshape our business environment. We have a number of ongoing initiatives that will further enhance the risk management framework and capability of the Group. Here is an update of the progress against our key priorities in 2017.

→ Strengthen the Group’s risk culture
  – We have made good progress on embedding a strong risk culture and increased focus on frontline ownership of risk, alongside further development of our Enterprise Risk Management Framework. This facilitates more dynamic risk identification and enables us to establish a clear linkage between strategic decision-making and risk management, as well as identifying and managing correlations across risk types.

→ Manage and improve information and cyber security
  – High profile security breaches have been a recurring focus in the media headlines and among regulators throughout 2017. We are placing even greater emphasis on improving our defences, creating stronger control frameworks, and expanding intelligence sharing efforts to keep pace with the evolving threats in cyberspace. The Group’s deepening network of external partnerships strengthen our own intelligence efforts as well as those across the broader financial services sector. The Group is a founding member of the Cyber Defence Alliance, an external organisation which facilitates information sharing with UK banks and law enforcement; a board member of the Financial Services – Information Sharing & Analysis Center; and a member of the National Cyber-Forensics & Training Alliance, for real-time information sharing and analysis. The Group also operates a Collective Intelligence & Command Centre to coordinate physical and cyber security responses to incidents.

→ Enhance the compliance management framework
  – We have enhanced our compliance systems and controls, and improved the capability of our compliance resources. We have embedded ownership and responsibility for conduct across our geographic footprint, businesses and functions in a systematic and sustainable manner. We have strengthened our efforts to promote awareness of, and confidence in the Speaking Up Programme including extending our Speaking Up channels to the public.

→ Manage financial crime risks
  – We are committed to playing our part in the fight against financial crime. We continued to enhance our controls, systems and processes in 2017 as well as continuing to educate and engage all of our people on financial crime risk and the human and social harm of such crimes. The financial crime landscape continues to evolve, and we recognise the need to be vigilant against new and transforming threats as well as adapting to changes in relevant regulation and sanctions regimes. In 2017 we built a dedicated Cyber Financial Intelligence team in the US, and continued our Correspondent Banking Academy initiative across all of the regions in which we operate. This programme seeks to support our clients in enhancing their financial crime controls, and share international best practices and learning materials. In October 2017 we also held our first Financial Crime Risk Management Academy for non-government organisations as part of our “De-risking through education” initiative. Our collaborative approach enables us...
to continue providing services which are vital to the world economy in a safe and sound way.

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

Improve the risk and compliance infrastructure – The Group has multiple initiatives underway to improve infrastructure for compliance risk management, exposure management, data quality, stress testing, operational risk management and reporting. We have also worked to streamline and simplify our processes to serve clients better and drive internal efficiencies.

Our risk profile and performance in 2017

The quality of our loan book has improved in 2017, with a focus on better quality new origination driving a stronger portfolio across all business segments, although we remain watchful for any emerging risks. This is aligned to a more granular risk appetite and enterprise-wide risk management approach. Our capital and liquidity positions remain strong, with all metrics above regulatory thresholds. The Group’s client exposures remain predominantly short tenor and our portfolio is well diversified across various dimensions.

We have seen a significant decrease in loan impairment across all businesses, with overall loan impairment down 51 per cent to $1.1 billion in the last 12 months. Overall gross non-performing loans (NPLs) for the Group have reduced as increases in the ongoing book were more than offset by planned reductions in the liquidation portfolio. Gross non-performing loans (NPLs) for the ongoing business increased from $5.9 billion to $6.5 billion in 2017, driven by a small number of exposures in Corporate & Institutional Banking from oil and gas support services and India. The majority of these counterparties were on early alert for an extended period prior to transferring to NPL and do not indicate any new areas of stress for the overall portfolio.

We continue to focus on early identification of emerging risks so that we can manage any areas of weakness on a proactive basis. The cover ratio of NPLs in the ongoing business reduced from 69 per cent to 63 per cent, and including collateral improved to 79 per cent from 74 per cent. Global financial markets experienced low volatility and average Group VaR was 19 per cent lower than the previous year at $26 million (2016: $32 million). The largest operational risk loss recognised as at 31 December 2017 relates to the Group’s $17.2 million settlement of a United States class action brought against a number of banks concerning foreign exchange benchmark rates.

Further details of the 2017 risk performance are set out in the Risk update (pages 120 to 123) and the Risk profile section (pages 122 to 159).

An update to our risk management approach

It is critical that our risk management approach continues to evolve and develop to meet the ever-changing risk landscape facing our business, to ensure it remains relevant and effective in generating safe and sustainable performance and growth for the Group. In 2017 we embarked on a key initiative to build out the Enterprise Risk Management function. This allows the Group to identify and manage risks holistically, ensuring the appropriate governance, oversight and information is in place to run a safe, secure and well-controlled organisation.

It also strengthens the Group’s capabilities to understand, articulate and control the nature and level of risks we take while still effectively serving our clients.

As part of this initiative, a revised Enterprise Risk Management Framework was approved in December 2017, for implementation in 2018. We are continuing to develop a well-defined, healthy risk culture that is understood across the Group, as well as a clear control framework with sharper delineation of responsibilities between the three lines of defence. Further details on the Group’s three lines of defence model are set out in the Enterprise Risk Management Framework section (page 161). We are also formalising the links between our strategy, risk appetite and stress testing to facilitate more dynamic risk identification and develop management processes which clearly integrate risk considerations into strategic decision making.

As part of these changes we have made a number of amendments to our Principal Risk Types. Specifically we have elevated Compliance, Information and Cyber security, Financial crime, and Conduct risk to Principal Risk Types. These were previously incorporated within the risk sub-types under Operational risk. Principal Risk Types are risks that are inherent in our strategy and business model and have been formally defined in the Group’s Enterprise Risk Management Framework. The framework provides a structure for the monitoring and control of these risks through the Board-approved Risk Appetite. The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The table below shows the Group’s Principal Risk Types and how they are managed.

Further details on Principal Risks are set out in the Risk management approach (pages 165 to 178).

<table>
<thead>
<tr>
<th>Principal Risk Types</th>
<th>How these are managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk</td>
<td>The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.</td>
</tr>
<tr>
<td>Country risk</td>
<td>The Group manages its country cross-border exposures following the principle of diversification across geographies and controls business activities in line with the level of jurisdiction risk.</td>
</tr>
<tr>
<td>Market risk</td>
<td>The Group controls its trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Group’s franchise.</td>
</tr>
<tr>
<td>Capital and liquidity risk</td>
<td>The Group maintains a strong capital position including the maintenance of management buffers sufficient to support its strategic aims and holds an adequate buffer of high quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support</td>
</tr>
<tr>
<td>Operational risk</td>
<td>The Group controls operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group’s franchise.</td>
</tr>
<tr>
<td>Reputational risk</td>
<td>The Group protects the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight.</td>
</tr>
<tr>
<td>Compliance</td>
<td>The Group has no appetite for breaches in laws and regulations, recognising that whilst regulatory breaches or non-compliance are unwanted, they cannot be entirely avoided.</td>
</tr>
<tr>
<td>Conduct</td>
<td>The Group strives to maintain the standards in our Code of Conduct and outcomes of our Conduct Framework, by continuously demonstrating that we “Do The Right Thing” in the way we do business.</td>
</tr>
<tr>
<td>Information and cyber security</td>
<td>The Group seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the bank.</td>
</tr>
<tr>
<td>Financial crime</td>
<td>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.</td>
</tr>
</tbody>
</table>

1 Pension risk is now a risk sub-type of Market risk and Strategic risk has been integrated as part of the overall Enterprise Risk Management Framework. Further details of updates to our Principal Risk Types are discussed in the Principal Risks section (pages 165 to 178).
### Principal uncertainties

The revised Enterprise Risk Management Framework will provide a consolidated way of managing risk, and result in more proactive conversations about strategic risk. We have continued to roll out a more granular and well-defined risk appetite which enables our business to grow in a strong and sustainable manner, but we are aware of principal uncertainties on the horizon that are not fully clear and measurable.

Here is a summary of the principal uncertainties that the Group faces, and the steps that we are taking to manage them.

<table>
<thead>
<tr>
<th>Principal uncertainties</th>
<th>Risk trend since 2016</th>
<th>How these are mitigated/next steps</th>
</tr>
</thead>
</table>
| Geopolitical events, in particular: increase in trade protectionism, Korean peninsula geopolitical tensions, the Middle East political situation and post-Brexit implications | ↑ | ➔ We continuously monitor and assess geopolitical events and, where appropriate, manage the impact to the Group and our clients.  
➔ We conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible geopolitical events. |
| Macroeconomic conditions, in particular: moderation of growth in key footprint markets led by China and sharp interest rate rises and asset corrections | ↔ | ➔ We have a Business Risk Horizon framework that provides a 12- to 18-month forward view of the economic, business and credit conditions across our key markets, enabling us to take proactive action.  
➔ We monitor economic trends and conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible events. |
| Climate-related physical risks and transition risks | NEW | ➔ We are developing an approach for assessing energy utilities clients’ power generation assets against a range of physical and transition risks, under multiple climate scenarios and a range of time horizons. We are considering how we extend this to other sectors in 2018.  
➔ We have made a public commitment to fund and facilitate $4 billion toward clean technology between 2016 and 2020. |
| Regulatory reviews and investigations, legal proceedings | ↔ | ➔ We have invested in improving compliance controls, including increasing the capacity and capability of compliance resources, enhancing systems and controls, and implementing remediation programmes (where relevant).  
➔ We are cooperating with all relevant ongoing reviews, requests for information and investigations and we actively manage legal proceedings, including in respect of legacy issues. |
| Regulatory changes and tax reforms | ↔ | ➔ We monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model.  
➔ We have established specific regulatory programmes to ensure effective and efficient implementation of changes required by new, or changes in existing, regulations. |
| New technologies and digitisation | NEW | ➔ We continuously monitor developments in the technology space affecting the banking sector and the Group Management Team is exploring in more depth our approach to innovation.  
➔ We are engaged in a series of initiatives with the aim of building our capabilities to ensure we remain relevant in a position to capitalise rapidly on technology trends. |

1 Principal uncertainties refer to unpredictable and uncontrollable outcomes from certain events and circumstances which may have the potential to impact our business materially
2 Physical risks refer to the risk of increased extreme weather events while transition risks refer to the risk of changes to market dynamics due to governments’ response to climate change

Cyber risk now forms part of our Principal Risk Types which we control and mitigate through distinct risk type frameworks, policies and risk appetite.

Further details on Principal uncertainties, including key changes in respect of 2016, are set out in the Risk Management Approach (pages 179 to 182)

### Conclusion

We continue to make strides in building a sustainable franchise in the interests of all our stakeholders. In order to drive commerce and prosperity, our organisation must take a long-term view by putting the needs of our clients first, supported by the right culture, people and practices. Though there will be headwinds along the way, we will continue with our mission to be an industry leader championing trust, integrity and quality.

Mark Smith  
Group Chief Risk Officer  
27 February 2018
Stakeholders and responsibilities

Our stakeholders

To drive commerce and prosperity across our footprint, we need to take a long-term view. Listening and responding to stakeholder issues or concerns is critical to achieving this. We strive to maintain open and constructive relationships with a wide range of stakeholders to help us operate as a responsible and sustainable business.

We engage in regular dialogue with stakeholders, and track and assess long- and short-term issues based on their impact on our business and level of stakeholder concern. Stakeholder feedback is shared with the senior leaders within the Group and progress is communicated annually through channels such as this report. This helps inform our business strategy and build sound relationships in the markets where we operate.

Our strategy is dependent on our ability to develop deep, long-term relationships with our clients. We aim to deliver fair outcomes for clients by designing products and delivering services that meet their needs and are appropriate to their circumstances. Where issues arise, we aim to deal with complaints in a fast, fair and efficient way. We have sector-specific procedures and processes in place to handle client complaints in each business segment.

Engagement with clients in 2016, through surveys, client experience forums and third-party studies, identified a need to simplify our processes. As a result, in 2017, we improved the customer experience across our businesses through continued investment in technology innovation and streamlined processes. Client feedback on this indicates we are moving in the right direction.

For more information about our clients, read the Client segment reviews on pages 18 to 21.

Regulators and governments

How we serve and engage

We are committed to complying with all legislation, rules and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate. Our compliance with legal and regulatory frameworks across our markets ensures that the Group meets its obligations. In turn, this supports the resilience and effective functioning of the Group and the broader financial system and economy. On a day-to-day basis, our Compliance and Public Affairs functions are responsible for identifying changes to financial services regulation, ensuring that we comply with all requirements, and help to manage relationships.

We actively engage with governments, regulators and policymakers at a global, regional and national level to share insights and technical expertise on key policy issues. This engagement supports the development of best practice and the adoption of consistent approaches across our markets. We comply with all relevant transparency requirements and engage with governments and regulators in many ways, including through ongoing dialogue, submission of responses to formal consultations and by joining and participating in industry working groups.

In 2017, we engaged with policymakers at all levels to exchange information on topics such as prudential rules, Brexit and trade promotion, Fintech, cyber security and fighting financial crime.

COMMUNITY ENGAGEMENT

Empowering girls and young women

More than 130 delegates from the public, private and not-for-profit sectors attended our first Beyond Girls’ Education Summit in South Africa in 2017. The event provided insights from advocacy, technology and education programmes including Goal, our programme to empower girls through sports and life-skills training, and generated 45 new commitments to help young women move from education to employment.
Investors

How we serve and engage

We aim to deliver robust returns and long-term sustainable value for our investors.

The Group receives capital from equity and debt investors. This supports the execution of our business model. Our investor base includes active traders and long-term stakeholders, those interested solely in financial returns and those who are also concerned with environmental and social issues. As such, we engage with investors about all aspects of our financial, environmental and social performance. Whatever the nature of the investor, we treat them equally and aim to balance their diverse interests and expectations.

We communicate with investors in several ways, including presenting scheduled results and via ad hoc media releases. We also meet investors at the Annual General Meeting and at investor meetings and conferences, while our inclusion in sustainability indices, such as the Dow Jones Sustainability Index and the FTSE4Good, provides investors with independent benchmarking data on our performance in these areas.

During 2017, acting on investor feedback for more access to the people running our businesses, we hosted two investor seminars at our London office. These seminars presented an opportunity to understand better the strategy for our largest geographic region, Greater China & North Asia, and our largest client segment, Corporate & Institutional Banking, and to hear directly from the teams managing them.

For more information about Board engagement with shareholders in 2017, see page 61 in the Corporate governance section.

Colleagues

How we serve and engage

We offer colleagues opportunities to learn and progress. We encourage them to improve and innovate, to take ownership of their careers and succeed together.

The strength of our diversity

With more than 86,000 colleagues in 63 markets, we are proud to represent the broad range of cultures across the communities we serve. Harnessing the inherent diversity of thoughts, views and experiences across the Group is critical to our business success and fundamental to our purpose. We are committed to creating a work environment that enables our colleagues’ diverse strengths to impact our clients and communities.

Our vision is to create a culture of inclusion where talents and individuality are valued and respected, and we are working hard to realise this. Our global Diversity and Inclusion Council ensures we continue our collective focus on creating an organisation where everyone feels supported and empowered.

In 2017, we introduced a standard flexible working practice to ensure all colleagues have the opportunity to choose how they work, whether that is part-time, flexible time, or working from home.

We increased the benefits we offer new parents globally, fully paid maternity leave from a minimum of 40 days to a minimum of 20 weeks, and increasing fully paid parental leave for the spouse or partner increasing from a minimum of two days to two weeks. We also support over 50 country-based employee networks and three Global Networks (Women, Disability and LGBT & Allies). These networks raise awareness and offer professional development, mentoring, networking and connections to our communities.

In 2017, the Board Remuneration Committee agreed a Fair Pay Charter, which sets out the principles that guide all of our reward and performance decision making. One of these principles is our ongoing commitment to rewarding colleagues in a way that is free from discrimination on the basis of diversity, including gender. Full details of our Fair Pay Charter are set out on page 84 in the Directors’ remuneration report.

Gender pay gap

We have analysed our gender pay gap for the UK and for four of our major markets. The gender pay gap compares the average pay of men and women, without taking into account some of the key factors which influence pay, including different roles, skills, seniority and market pay rates. Our gender pay gap is caused by the lower number of women in senior roles and in business areas where market rates of pay (both fixed and variable) are highest.

When adjusting the hourly pay gap for men and women carrying out roles at the same level in the same business area across the same markets, the gender pay gap is significantly smaller – ranging from no discernible gap to three per cent.

Equal pay is a more detailed measure of pay equality than the gender pay gap. We also analyse equal pay as part of the annual performance and pay review process globally.

Download our gender pay gap report at sc.com/genderpaygap.
We have engaged with over 70,000 employer of choice across our markets.

In 2016, we began the process of transforming our culture – ensuring we achieve these goals, and ultimately our purpose to drive commerce and prosperity through our unique diversity. In 2018, we will fully embed these valued behaviours in how we select, on-board, recognise and reward people, beginning with integrating them into our performance management process.

Our aim is to create a truly differentiated working environment and we are committed to measuring progress against this goal. We aim to increase the engagement and retention of our colleagues and mitigate against our key people risk of attrition.

We have developed a culture dashboard to track progress against these measures.

### Developing colleagues

We continue to focus on the development, engagement and wellbeing of our colleagues and we have maintained a strong focus on talent and succession management.

In 2017, we introduced a talent evaluation tool which was completed for over 22,000 of our colleagues and used as an input to mid-year performance and career conversations. At senior levels, we completed succession plans for 16 roles at Management Team level and their direct reports, and development plans are in place for all individuals appearing on these plans. We successfully completed a regional talent development programme for our Africa & Middle East region, which will act as a blueprint for our development of country, region and global business talent pools.

In 2018, our focus is on building line manager capabilities and developing role-based learning curricula, as well as developing our assessment tools to hire more people internally, with an internal target of filling 70 per cent of Band 4 – Grade 7 roles with internal candidates.

Our efforts to increase the development and career opportunities of our colleagues are reflected in an improvement in our employee Net Promoter Score, which is four percentage points higher year-on-year. We have also started to track satisfaction with development opportunities through our engagement survey and realise there is potential to make more improvements this year.

In 2018, as part of the commitments in our Fair Pay Charter, we will be rolling out a new benefits platform which will empower our colleagues to choose the benefits which most suit their needs. This will accompany our Wellbeing programme, which supports the physical, mental, social and financial health of our colleagues. We have a strong belief that if we treat our colleagues well by looking after all aspects of their wellbeing, they will be happier and more productive at work.

### Female representation

#### Board

<table>
<thead>
<tr>
<th>Year</th>
<th>Female</th>
<th>(2016: %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>30.8%</td>
<td>(2016: 21.1%)</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Management Team

<table>
<thead>
<tr>
<th>Year</th>
<th>Female</th>
<th>(2016: %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>42.9%</td>
<td>(2016: 38.9%)</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Senior management (Bands 1-4)

<table>
<thead>
<tr>
<th>Year</th>
<th>Female</th>
<th>(2016: %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>25.7%</td>
<td>(2016: 25.5%)</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### All employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Female</th>
<th>(2016: %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>45.8%</td>
<td>(2016: 46.4%)</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Employee engagement KPI

Employee Net Promoter Score (eNPS)

Aim: Increase engagement across the Group by creating a better working environment for our colleagues, that should translate into an improved client experience.

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.4%</td>
</tr>
<tr>
<td>2017</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

The proportion of participating colleagues that are promoters (would recommend the Group as a great place to work) compared to detractors.

Analysis: In 2017, the first year that the Group introduced this measure, the eNPS was 5.9 per cent, meaning that more participating colleagues would promote the Group than would not.

Diversity and inclusion KPI

Gender diversity in senior roles

Aim: Improve gender diversity in the Group's top levels of management by supporting, developing, promoting and retaining senior women colleagues.

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>25.5%</td>
</tr>
<tr>
<td>2017</td>
<td>25.7%</td>
</tr>
</tbody>
</table>

The total number of women in the most senior (band 1-4) roles expressed as a percentage of total band 1-4 roles.

Analysis: In 2016, we signed the UK HM Treasury Women in Finance Charter and announced an overall target of having women occupy 30 per cent of our top four levels of management by December 2020. The 25.7 per cent result in 2017 was an improvement on 2016 and takes us closer to our target.

Society

How we serve and engage

We strive to operate as a responsible and sustainable business, collaborating with local partners to promote social and economic development.

Responsible and sustainable business

This section outlines our response to reporting requirements on environmental and social matters, human rights, and anti-bribery and corruption. We will continue to enhance our reporting on these issues over time.

Our sustainability priorities – contributing to sustainable economic growth, being a responsible company and investing in communities – provide a framework for how we respond to the social and environmental concerns of our stakeholders, and create opportunities to improve livelihoods.

These are supported by 11 Sustainability Aspirations, which set out measurable actions to achieve sustainable outcomes. Aligned to the UN Sustainable Development Goals, the Aspirations were launched in 2017 to help address environmental and social matters identified by stakeholders and colleagues in our key markets. We report progress against the Aspirations in our separate Sustainability Summary.

- Download our Sustainability Aspirations at sc.com/sustainabilityaspirations

Contributing to sustainable economic growth

We use our core business of banking to promote sustainable development in our markets. This means managing environmental and social risks associated with our lending, and financing key sectors that drive sustainable economic growth.

Our approach to managing environmental and social risks is set out below. Additional information on how we finance the opportunities associated with sustainable development are captured in our Aspirations. They include targets to expand digital and financial inclusion, support infrastructure and clean technology development, and support microfinance institutions.

Managing environmental and social risks

Our most significant environmental and social (E&S) impact comes from the businesses we finance. We have E&S risk management procedures that guide how we identify, assess and manage the risks impacting our clients’ operations. We apply sector-specific standards, which draw on the IFC Performance Standards, Equator Principles and global best practice, to the financial services we provide to clients.

These are set out in 17 sectoral and three thematic Position Statements that are embedded through our core banking processes.

Mechanisms in our origination and credit processes enable us to identify and assess environmental and social risks in accordance with our Position Statements. In 2017, our dedicated Environmental and Social Risk Management team reviewed 487 transactions that presented potential specific risks against our Position Statements. For all risks identified, we seek to develop effective mitigating measures. Where this is not possible, transactions have been, and will continue to be, turned down.

We work collaboratively with clients, other financial institutions, industry bodies, and civil society groups, to promote, develop and encourage leading E&S standards. In 2017, we engaged with these stakeholders primarily on palm oil and climate change. This dialogue contributed to the update of our Palm Oil Position Statement in 2017.

We continued to advance the commitments set out in 2016 in our Climate Change Position Statement. This includes work with the University of Oxford to develop and implement a framework for assessing energy utilities clients’ power generation assets against a range of physical and transition risks, under different climate scenarios and time horizons.
Our stakeholders

Society continued

Additionally, we welcomed the recommendations by the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures. We joined a United Nations Environment Programme for Financial Institutions’ initiative to develop analytical tools and indicators to strengthen assessment and disclosure of climate-related risks and opportunities.

In 2017, we started a review of all our Position Statements, with updated and revised statements due to be published during 2018.

Being a responsible company

Being a responsible company is about how we manage our business and promote the behaviours, values and principles that enable us to make the right decisions.

Good conduct management practices are embedded across the Group through our conduct management framework, which sets out our approach to identifying, controlling and governing conduct-related risks. The framework aims to ensure we have appropriate governance in place with a transparent business model, robust infrastructure and exemplary business practices. This creates an environment that supports ethical behaviour. Governance measures support leaders in hiring and recognising colleagues with good conduct, while performance objectives and reward mechanisms for colleagues are directly linked to behaviours and values. Managing the business in this way helps us to achieve fair outcomes for clients, and to operate effective markets.

Colleagues participate in mandatory training on the Group Code of Conduct and in 2017, 99.4 per cent confirmed their commitment to the Code as part of our annual process. Failure to adhere to the Code can result in disciplinary action and potentially dismissal.

Our whistleblowing channels are available to anyone – colleagues, contractors, suppliers and members of the public – to raise concerns confidentially and anonymously. Following the re-launch of our Speaking Up programme in late 2016, we have seen an increase in the number of concerns raised, which were investigated accordingly. In 2017, we also introduced Speaking Up Advocates in three pilot countries to help raise awareness and ensure Speaking Up is culturally relevant across our diverse geographic footprint.

In 2017, 99.3 per cent of colleagues completed ABC training and 99.2 per cent completed anti-money laundering training.

Respecting human rights

We are committed to respecting human rights and seek to ensure they are not adversely impacted in our role as an employer, financial services provider and procurer of goods and services. We recognise that our footprint and supply chain give us the opportunity to raise awareness of human rights and modern slavery in a wide range of markets and industries.

Our Position Statement outlines our approach to human rights, reflecting international standards including the International Bill of Human Rights, the UN Guiding Principles, and the UK Modern Slavery Act. This is then embedded across a range of policies and risk management frameworks, including our Group Code of Conduct and Supplier Charter.

In 2017, we reviewed our exposure to modern slavery risks via a cross-function working group, and assessed how these are addressed by our existing controls for colleagues, suppliers and clients. Our 2017 Modern Slavery Statement details the actions we are taking as a result. These include updating contractual language to strengthen supplier obligations to address modern slavery, and incorporating modern slavery awareness into our Correspondent Banking Academy training programme.

Financial crime

Financial crime hinders economic progress and harms communities. We are committed to building and maintaining robust defences to combat money-laundering, terrorist financing, sanctions compliance breaches, bribery, and other forms of corruption.

Our financial crime risk management activities, which include adherence to anti-money laundering and sanctions policies and the application of core controls such as client due-diligence screening and monitoring, are led by a dedicated Financial Crime Compliance (FCC) team. Our anti-bribery and corruption (ABC) policies aim to prevent colleagues, or third parties working on our behalf, from participating in active or passive bribery or corruption, or from making facilitation payments.

In 2017, we strengthened our ABC policies around employing referred candidates, screening suppliers, third-party payments, gifts and entertainment, sponsorship and donations, and risk management of intermediaries. We also extended training for FCC country heads to equip them with better knowledge, skills and tools to manage and oversee ABC risk mitigation activities.

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Managing our environmental footprint

We aim to minimise the environmental impact of our operations. Our major impact comes from the resources we consume in serving clients – energy, water and paper – to allow our offices and branches to function, and as such we measure our energy, water, paper and (non-hazardous) waste performance.

We have targets against which we measure and manage our greenhouse gas emissions, and reduction targets for water and energy use. Our reporting criteria sets out the principles and methodology, and our Scope 1 and 2 emissions are independently audited by The Carbon Trust.

Between 2008 and 2017, we reduced energy consumption by 34 per cent by introducing LED lighting, more efficient plant, and by increasing on-site solar generation across our properties. In 2017, greenhouse gas emissions for fuel combustion fell by 42 per cent as we reduced our reliance on diesel generators in those countries with limited access to mains electricity.

We take a responsible approach to sourcing and using water, especially given that its availability is a growing challenge facing our markets. Across the Group, between 2008 and 2017, we reduced water use by 36 per cent by installing low-flow water devices and where appropriate, boreholes and water recycling plants.

We are committed to reducing waste and in 2017 a ‘reusable cup’ initiative in the Singapore and London offices cut single-use plastic cup use by 100,000 in six months. We avoid sending non-recyclable waste to landfill, instead composting it or using it in energy generation, where possible.

Investing in communities

We seek to promote sustainable economic and social development in our communities. Our programmes focus on health and education. In 2017, we invested $49.8 million in the communities in which we operate. All of our donations are guided by our Sponsorship and Donations Policy.

Seeing is Believing, our flagship global programme to treat avoidable blindness and visual impairment, raised $5.6 million in 2017 through employee fundraising and matching by the Bank. Between 2003 and 2017, Seeing is Believing raised $98.4 million and reached 163.5 million people through medical intervention, screening, training and education.

Goal, our programme to empower girls and young women through sport and life-skills training, reflects our belief that education is the foundation for economic opportunity. In 2017, more than 95,000 girls and young women participated in Goal, and the programme reached more than 381,000 girls between 2006 and 2017.

We encourage colleagues to effect positive change in their communities by providing three volunteering days per year, and in 2017, colleagues contributed more than 66,000 days. Through our financial education programmes, we trained more than 117,000 young people and just over 1,500 entrepreneurs in 2017, of whom 90 per cent were women.
Driving commerce and prosperity through our unique diversity

Building long-lasting relationships in Brazil

One of our biggest success stories in Brazil is our long-standing relationship with LGEBR Treasury Management. They specialise in financial services including: international payments, digital banking, import financing, market trading and legal expertise.

How our local market knowledge has helped us build our partnership with LGEBR

We have always used our knowledge of local markets to support LGEBR in developing their brand and grow their customer base in an increasingly competitive market. Over the past 10 years our relationship has strengthened into a strategic partnership built on trust, understanding and an appreciation of local and international economies. Our competitively priced products and services, experienced employees and commitment to a seamless banking experience are just a few of the reasons why LGEBR remain one of our most loyal and valued clients.
Viability statement

Viability

The directors are required to issue a viability statement regarding the Group, explaining their assessment of the prospects of the Group over an appropriate period of time and state whether they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

The directors are to also disclose the period of time for which they have made the assessment and the reason they consider that period to be appropriate.

In considering the viability of the Group, the directors have assessed the key factors likely to affect the Group’s business model and strategic plan, future performance, solvency and liquidity taking into account the principal uncertainties as well as the principal risks.

The assessment has been made over a period of three years, which the directors consider adequate as it is within both the Group’s strategic planning horizon and the basis upon which its regulatory capital stress tests are undertaken. The directors will continue to monitor and consider the appropriateness of this period.

The directors have reviewed the corporate plan, the output of the Group’s formalised process of budgeting and strategic planning. The corporate plan is evaluated and approved each year by the Board with confirmation from the Group Chief Risk Officer that the Plan is aligned with the Enterprise Risk Management Framework and Group Risk Appetite Statement and considers the Group’s future projections of profitability, cash flows, capital requirements and resources, liquidity ratios and other key financial and regulatory ratios over the period, where projections allow. The corporate plan details the Group’s key performance measures, of forecast profit, CET1 capital ratio forecast, return on equity forecasts, cost to income ratio forecasts and cash investment projections. The Board has reviewed the ongoing performance management process of the Group by comparing the statutory results to the budgets and corporate plan.

The Group performs enterprise-wide stress tests using a range of bespoke hypothetical scenarios that explore the resilience of the Group to shocks to its balance sheet and business model.

To assess the Group’s balance sheet vulnerabilities and so capital and liquidity adequacy, severe but plausible macro-financial scenarios explore shocks that trigger one or more of:

- Global slowdowns, including a China hard landing
- Sharp falls in world trade volumes
- Material and persistent declines in commodity prices
- Financial market turbulence

Under this range of scenarios, the results of these stress tests demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet regulatory minimum capital and liquidity requirements.

To assess the Group’s business model vulnerabilities, extreme and unlikely scenarios are explored that, by design, result in the Group’s business model no longer being viable. Insights from these reverse stress tests can inform strategy, risk management and capital and liquidity planning.

Further information on stress testing is provided in the Risk management approach section (page 162).

The Board Risk Committee (BRC) exercises oversight of prudential risks on behalf of the Board, including amongst others credit, market, capital, liquidity and funding and operational risks.

It reviews the Group’s overall risk appetite and makes recommendations thereon to the Board.

The BRC receives regular reports that inform them of the Group’s key risks, as well as updates on the macroeconomic environment, geo-political outlook, market developments, and regulatory updates in relation to capital, liquidity and risk. In 2017, the Committee had deeper discussions on a number of key topics including Principal Finance, Aviation Finance, Funds Transfer Pricing, Credit Risk and Control Mitigants, Financial Markets Strategy Risk Management and Controls and Information and Cyber Security.

Based on the information received, the directors considered the principal uncertainties as well as the principal risks in their assessment of the Group’ viability, how these impact the risk profile, performance and viability of the Group and any specific mitigating or remedial actions necessary.

For further details of information relevant to the directors, assessment can be found in the following sections of the annual report and accounts:

- The Group’s Business model (pages 12 to 13) and Strategy (pages 14 to 16)
- The Group’s current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions are described in the client segment reviews and regional reviews (pages 18 to 26)
- An update on the key risk themes of the Group is discussed in the Group Chief Risk Officer’s review (pages 33 to 35)
- The BRC section of the Directors’ report (pages 69 to 72)
- The Group’s Principal uncertainties, sets out the key external factors that could impact the Group in the coming year (page 35 and pages 179 to 182). Note 26 sets out information relating to legal and regulatory matters (pages 259 to 260)
- The Group’s Enterprise Risk Management Framework details how the Group identifies, manages and governs risk (pages 160 to 164)
- The Group’s Risk profile provides an analysis of our risk exposures across all major risk types (page 122 to 156)
- The capital position of the Group, regulatory development and the approach to management and allocation of capital are set out in the Capital Review (pages 183 to 189)

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2020.

Our Strategic report from pages 01 to 43 has been reviewed and approved by the Board

Bill Winters
Group Chief Executive
27 February 2018