

## **Standard Chartered PLC - Performance highlights**

For the twelve months ended 31 December 2016

### **Highlights**

Standard Chartered PLC (the Group) today releases its results for the year ended 31 December 2016. All figures are presented on an underlying basis with a full reconciliation between statutory and underlying presented on page 10.

“We made good progress in 2016, cleaning up our balance sheet and fortifying our capital position. We are attacking our cost base, reinvesting significantly to strengthen our competitive advantages and continuing to enhance our financial crime controls. Our financial returns are not yet where they need to be and do not reflect the Group’s earnings potential. Having worked hard to secure our foundations we are now focused on realising that potential.”

**Bill Winters**, *Group Chief Executive*

### **Financial performance summary**

- Operating income of \$13.8bn down 11 per cent but stable through each quarter of 2016
- Profit before tax of \$1.1bn up from \$0.8bn in 2015
- Operating expenses of \$10.0bn down 5 per cent and lower for the second year running
- Gross cost efficiencies of over \$1.2bn created capacity to increase investment in the second half
- Loan impairment in the ongoing business of \$2.4bn was flat like-for-like but remains elevated
- Restructuring charges of \$855m related primarily to the liquidation portfolio and redundancy costs
- Statutory profit before tax of \$409m compared to a loss of \$1.5bn in 2015
- Underlying basic earnings per share of 3.4 cents (2015: negative 6.6 cents)
- Underlying return on Ordinary shareholders’ equity of 0.3 per cent (2015: negative 0.4 per cent)

### **Strengthened capital and improved liquidity position**

- Common Equity Tier 1 ratio of 13.6 per cent up 100bps mainly due to reduced risk-weighted assets
- \$2bn Additional Tier 1 capital issued in August 2016 and a further \$1bn in January 2017
- Advances to deposits ratio of 67.6 per cent reflects a high level of funding from customer deposits
- No Ordinary Share dividend declared for 2016

### **Strategic progress**

- Quarterly income stable through the year
- Gross cost efficiencies of \$1.2bn delivered; targeting further efficiencies in 2017 and 2018
- Cash investment increased by 50 per cent year-on-year, particularly in the second half
- Overall credit quality has improved in 2016 although stresses remain in some sectors
- Risk-weighted assets in the liquidation portfolio reduced by over 80 per cent
- Total gross non-performing loans 24 per cent lower year-on-year, with cover ratio up from 53 to 67 per cent
- The Group’s balance sheet is now more diverse and its capital and liquidity position is strong

### **Summary and outlook**

- Encouraging early progress against the strategy
- Ended the year with income stability, lower costs and a more liquid, higher quality balance sheet
- Becoming more efficient, enabling further investment
- Operating conditions expected to remain challenging in 2017 although some headwinds are easing
- The eventual outcome of regulatory reforms to finalise banks’ capital requirements remains unclear
- Significant further improvement in financial performance is required

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**Standard Chartered PLC - Summary of results**  
**For the year ended 31 December 2016**

	31.12.16	31.12.15
	\$million	\$million
<b>Results</b>		
Underlying operating income	13,808	15,439
Statutory operating income	14,060	15,289
Impairment losses on loans and advances and other credit risk provisions <sup>1</sup>	(2,382)	(4,008)
Other impairment <sup>1</sup>	(383)	(311)
Goodwill impairment <sup>1</sup>	-	(362)
Underlying profit before taxation	1,093	834
Statutory profit / (loss) before taxation	409	(1,523)
Profit / (loss) attributable to parent company shareholders	(247)	(2,194)
Profit / (loss) attributable to ordinary shareholders <sup>2</sup>	(478)	(2,360)
<b>Balance sheet</b>		
Total assets	646,692	640,483
Total equity	48,658	48,512
Loans and advances to customers	255,896	261,403
Customer deposits	378,302	359,127
Total capital base	57,438	59,021
<b>Information per ordinary share</b>	<b>Cents</b>	<b>Cents</b>
Earnings per share – underlying	3.4	(6.6)
– statutory	(14.5)	(91.9)
Ordinary dividend per share	-	13.7
Net asset value per share	1,307.8	1,366.0
Tangible net asset value per share	1,163.9	1,224.1
<b>Ratios</b>		
Underlying return on ordinary shareholders' equity	0.3%	(0.4)%
Advances to deposits ratio	67.6%	72.8%
Cost to income ratio – underlying	72.2%	67.8%
Capital ratios		
Common Equity Tier 1	13.6%	12.6%
Total capital	21.3%	19.5%
Leverage ratio	5.7%	5.5%

<sup>1</sup>Presented on an underlying basis

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

## Standard Chartered PLC - Chairman's statement

It is both an honour and a privilege to deliver this statement, my first as Chairman of the Group. I joined in October 2016 and became Chairman in December, following a career as a public servant in the financial sector. Most recently I was at the International Monetary Fund, where my responsibilities included the global oversight and direction of its monetary and financial sector work. In that capacity I was able to develop a deep understanding of the markets that the Group operates in as well as a real respect for Standard Chartered as an organisation.

As Chairman of the Group I will focus my efforts on:

- Helping to unlock its true potential
- Improving its resilience to external shocks
- Ensuring excellent governance and the highest ethical standards

### Initial impressions and objectives

I joined Standard Chartered because it is an extraordinary organisation with a rich history and huge potential, serving a remarkably diverse range of clients across the most dynamic markets in the world. It is a bank with a soul.

From my discussions with employees it is clear that they take real pride in our culture and clients have told me they value our brand. I intend to support the Management Team while challenging appropriately to ensure that the Group continues to fulfil its obligations to our clients, the communities that we serve and our employees. Dedicating ourselves to those objectives is how the Group will create value for investors over the medium and longer term.

Being Chairman of the Group will always be my primary focus. So far I have concentrated on learning about the Group from the inside. I have visited local operations across our network to see first-hand how the Group operates and is managed in practice, the opportunities and risks our employees face and how they deliver value for our clients. I have also spent considerable time with my fellow Board directors, assessing how they function both as individuals and as a governance unit. I am impressed with what I have seen so far and am excited at the prospect of learning more about our unique franchise and engaging more deeply and frequently with my new colleagues and external stakeholders.

I would like to take this opportunity to thank Sir John Peace, the Group's previous Chairman, both for ensuring the handover process was carried out in an exemplary manner and for his leadership and personal contribution during what was a period of significant change for the Group.

### Progress

Risks in the banking sector generally accumulate during the good times and materialise in the bad. The Group has clearly experienced that in recent years. Following a difficult year in 2015 the Group, led by Bill Winters, Group Chief Executive, worked hard in 2016 to execute its restructuring plans against what was a challenging macroeconomic backdrop. As you will read later in this report, encouraging early progress has been made. The Board recognises, however, that as an organisation we still have a substantial way to go. The journey will be long and difficult to navigate at times and there are no short-cuts.

I faced many complex situations as a public official through the global financial crisis, but the requirements for success in each case were the same. There needs to be a clear strategy, a sensible business plan and exceptionally talented people who are determined to execute that plan with discipline and pace. From what I have seen of the Group so far, we certainly have those ingredients in place.

### Governance and conduct

Good governance is vital in any organisation, particularly one such as Standard Chartered, which operates in so many diverse and dynamic markets. A detailed review of how the Group manages its governance obligations to support decisions and guide behaviours across our network can be found in the 2016 Annual Report and Accounts on [sc.com](http://sc.com).

Bill has spoken about the Group having the privilege, opportunity and responsibility to be a force for good in the markets in which we operate. I agree wholeheartedly with this statement and I share his zero tolerance for any form of unethical behaviour and also fully endorse the Group's commitment to upholding environmental and social standards. I will use all my experience to help ensure the Group implements and upholds the highest ethical standards.

### Dividend

The Board has decided that it would be in the Group's best interests not to declare a dividend on Ordinary Shares for 2016. The Board believes in balancing returns to shareholders with investment to support future growth, while at the same time preserving strong capital ratios. While the Group has made good progress on the actions that we believe will drive a sustainable improvement in financial returns, the turnaround of the profitability of the Group is at a relatively early stage and a number of economic and regulatory uncertainties remain. The Board recognises the importance of dividends to shareholders and will keep the matter under close review.

### Summary

I am entirely realistic regarding the complexity of the challenges that lie ahead, not just for the Group but the global banking sector as a whole. Significant regulatory uncertainty will persist as policymakers grapple with the task of harmonising rules and enhancing the control environment while allowing banks to add value to the economies they serve and generate sustainable returns to shareholders. The recent postponement of the completion of the Basel III framework is just one example of the scale of the challenges faced.

Meanwhile, economic conditions in our markets are expected to remain uncertain. But the inherent opportunity and our strategy to capture it is clear. The business plan set out in 2015 to execute our strategy is sensible and appropriate for the prevailing conditions. Investing in technology as a catalyst for better client experiences and stronger controls for example is absolutely the right way forward. As Bill, together with Andy Halford, Chief Financial Officer and Mark Smith, Chief Risk Officer, will explain later in this report, our plan has already delivered fundamental improvements, with the Group now having a stronger capital base and being much more resilient to headwinds. It is important that we remain focused on delivering the plan while being willing to adapt where necessary as conditions evolve.

Having substantially strengthened our foundations, we recognise the importance of re-energising growth in income together with strong cost and risk management so that returns to shareholders can be restored to a more appropriate and sustainable level.

This is an exciting time to have joined the Group and I am looking forward to the challenge of leading the Board, helping the Management Team to unlock the Group's true potential.

**José Viñals**

*Chairman*

*24 February 2017*

## Standard Chartered PLC - Group Chief Executive's review

This time last year I set out what we needed to deliver in order for Standard Chartered to fulfil its true potential. We have made good progress. We have cleaned up our balance sheet and fortified our capital position. We are attacking our cost base, reinvesting significantly to strengthen the Group's competitive advantages and continuing to enhance our financial crime controls. 2016 proved to be a stern test of our strategy and our business plans and has shown them to be the right ones for the environment in which we are operating. If those conditions change and require us to adapt, we will. We have many challenges still, but we have the resources, the capability and the will to overcome them.

Our financial returns are not yet where they need to be and do not reflect the earnings capability we believe we possess. Having worked hard to secure our foundations, we are now focused on realising this earnings potential. We will do this by fully re-engaging with our clients, improving productivity and investing in our people and culture.

I am delighted that we are joined on this journey by our new Chairman, José Viñals, who brings deep and extensive experience of the economic, political and regulatory environment in our markets and an exceptional grasp and understanding of the international financial system. José is a proven leader, truly global in his perspective and I am very glad that we are working together.

### Securing our foundations

Among the many positive steps taken in the past year to secure our foundations:

- We made substantial progress in exiting exposures beyond our tightened risk appetite, reducing risk-weighted assets in our liquidation portfolio by over 80 per cent
- Our business in Korea returned to a small underlying profit for the year as a result of some tough decisions and a lot of hard work
- As part of our commitment to divest peripheral businesses we have signed or completed 12 transactions since November 2015
- We have taken steps to address the very poor performance of our Principal Finance business, putting the right team in place to reduce our exposure over the course of 2017
- We are addressing credit issues in PT Bank Permata, a joint venture in Indonesia in which we hold a 44.6 per cent stake, bolstering its management team and risk discipline. This will allow us to progress strategic options in the coming year

We will approach the remaining restructuring issues with a view to getting the best value for the Group's investors, on the shortest timeframe necessary.

### Getting lean and focused

The Group delivered its commitment to generate over \$1 billion of gross cost efficiencies in the year – producing the second successive year-on-year reduction in net expenses – and we remain on track to bring total costs in 2018 below the level incurred in 2015.

We have implemented significant improvements to our client coverage model in Corporate & Institutional Banking and are transforming our Retail Banking

business to a more digital delivery model. Both sets of initiatives make us more efficient and easier to deal with. We have made good progress repositioning our Commercial Banking business for longer-term sustainable growth and better returns.

The refreshed organisational structure of the Group is now firmly embedded, with local management now better able to influence the delivery of the Group's products and services while leveraging our strong central capabilities.

### Investing and innovating

The cost efficiencies we achieved in 2016 created capacity for us to invest significantly to reinforce the Group's competitive advantages. These investments will enhance the quality of service that we can provide to clients, improve our ability to capture profitable and safe growth opportunities and differentiate us from our competitors.

We are increasingly recognised as an innovator and are confident we can leverage this to generate higher returns over the coming years:

- In Private Banking we have made significant investments in people and technology. It is still early days but we are encouraged that our capabilities and potential are attracting first rate talent
- We see significant opportunities in Africa for safe and profitable growth as other international banks pull back. Conditions remain volatile but we are strengthening our position on the ground and delivering the benefits of our network to our clients in the region
- We have made good progress positioning ourselves as a leader in the internationalisation of the renminbi and the opening up of capital markets in China. We believe the medium- to long-term trend towards internationalisation remains and we are committed to providing cutting-edge services to our clients

You can read more about how we are getting more lean and focused and are investing and innovating in the Client segment and Regional review sections of this report.

### Continuing to focus on conduct

We are passionate about advancing the Group's conduct agenda. We have made a lot of progress in 2016 and invested heavily to build effective and sustainable systems and infrastructure to ensure we can play a leading role in discovering and disrupting financial crime. We have created a new platform at [sc.com/fightingfinancialcrime](http://sc.com/fightingfinancialcrime) to demonstrate the contribution that we and others are making.

We have sharpened our focus on all aspects of conduct, not simply on combating financial crime, and have taken appropriate action where we find conduct inconsistent with our standards. We are focusing on the behaviours, values and principles that we follow as individuals to enable us each to make the right decisions and exercise good judgement. We do this because it is the right thing to do, and because it makes us stronger and more sustainable, as well as reinforcing stakeholder confidence.

We announced recently that Tracey McDermott will be joining the Group, having previously held a number of senior roles at the Financial Conduct Authority with responsibility for the conduct regulation of the UK's financial services sector. Tracey brings a wealth of leadership experience, huge knowledge of the industry and in-depth bank supervision, regulatory and policy expertise to our Management Team.

### Clients at the heart of our business

Most clients I meet have enormous affection for Standard Chartered and value our product capability and our presence in the markets we serve. Some have been clear though that we have become more difficult to deal with.

We have restructured our organisation to address this, putting clients rather than products at the core of our coverage and they are responding well to our renewed focus.

The quality of the Group's client base enabled us to attract an impressive array of senior talent in the year. Out of the many examples I would highlight Simon Cooper, who has already made a big difference to how the Corporate & Institutional Banking business operates; Zarin Daruwala and Torry Berntsen, who took over as CEO in India and the Americas, respectively; Paul Skelton, our new Global Head of Banking for Corporate & Institutional Banking; and Vivian Chan, who joined as Head of Private Banking in Greater China & North Asia, each of whom brings over 25 years' experience and will enhance our ability to capture growth opportunities.

### **Outlook**

We expect operating conditions in and between the markets in which the Group operates to remain challenging. There have been some improvements: growth in China has stabilised at a lower level, interest rates are at the early stage of normalisation and commodity prices have increased moderately. There are some new uncertainties ahead, including threats to open trade and globalisation, the impact of regulation and loose monetary policy. We are now better positioned to weather these challenges.

While the intensity of some headwinds has eased it will take time to fully capitalise on the opportunities that a better environment will present. Having worked quickly last year to

secure our foundations we are now building deliberately and patiently to deliver safe business growth.

When I look back at the Group's long history it is clear that periods of heightened uncertainty can create opportunities for our clients and for the Group. The actions we have taken in 2016 are making us fitter, nimbler and better able to find and execute those opportunities.

### **Summary**

I am proud of the efforts made by the Group's employees in 2016 to secure our foundations. The pace and scale of those changes – many of which were done in parallel and required intense periods of adjustment for employees – undoubtedly impacted some elements of the Group's financial performance in the period. But they were the right things to do.

2017 needs to be the year we demonstrate we have the capacity to grow safely and sustainably.

We operate in economies that are growing and we serve clients whose wealth and businesses are growing. While 2017 will undoubtedly have its share of challenges and uncertainty, we are determined to deliver on our promises.

### **Bill Winters**

*Group Chief Executive*  
24 February 2017

## Standard Chartered PLC - Group Chief Financial Officer's review

The Group committed to a set of actions at the end of 2015 designed to stabilise its financial performance. As a result of disciplined execution in 2016 we delivered quarterly income stability, lower costs and a higher quality balance sheet. This is encouraging early progress but we have a long way to go and further significant improvement in financial performance is required.

Financial performance highlights:

- Underlying income of \$13.8 billion was down 11 per cent year-on-year but stable during 2016
- Underlying operating expenses were 5 per cent lower, a second successive year-on-year reduction. Gross cost efficiencies of over \$1.2 billion in 2016 created capacity to increase investment in the second half
- Overall credit quality improved though stresses remain. Underlying loan impairment in the ongoing business of \$2.4 billion was flat year-on-year
- Underlying profit before tax of \$1.1 billion includes Principal Finance losses of around \$650 million
- Statutory profit before tax of \$409 million in 2016 was a significant improvement on the \$1.5 billion loss in 2015
- Due to a strong focus on returns and progress reducing exposures in the liquidation portfolio the Group's Common Equity Tier 1 (CET1) ratio increased 100 basis points in the year to 13.6 per cent
- Underlying return on equity (ROE) of 0.3 per cent while low is an improvement on the negative 0.4 per cent reported in 2015. Statutory ROE was negative 1.1 per cent

- ROE was impacted by a high effective tax rate. This was driven primarily by non deductible Principal Finance losses and other non-deductible expenses
- In addition to the \$2 billion Additional Tier 1 (AT1) securities issued in August 2016, the Group issued a further \$1 billion of AT1 securities in January 2017
- The Board has decided not to declare a dividend on Ordinary Shares for 2016

The performance commentary that follows is on an underlying basis unless otherwise stated. A reconciliation between underlying and statutory results is set out later in the document.

### Underlying income

Income of \$13.8 billion was down 11 per cent year-on-year or 8 per cent on a constant currency basis. Factors negatively impacting income include US dollar strength against emerging market currencies and businesses that were sold or exited in 2015. Included in income is a \$217 million loss in respect of the fair valuation of Principal Finance investments. The Group's Net Interest Margin declined 16 basis points year-on-year to 1.53 per cent, largely driven by actions taken to improve the Group's risk profile as well as changes in product mix

Despite difficult market conditions quarterly trends remained stable through the year. This is a significant improvement on the sequential quarterly decline experienced through 2015 and reflects the good early progress made against our strategic priorities.

### Underlying performance summary

	2016 \$million	2015 \$million	Better / (worse) %
Operating income	<b>13,808</b>	15,439	(11)
Operating expenses	<b>(9,975)</b>	(10,478)	5
Operating profit before impairment losses and taxation	<b>3,833</b>	4,961	(23)
Impairment losses on loans and advances and other credit risk provisions	<b>(2,382)</b>	(4,008)	41
Other impairment	<b>(383)</b>	(311)	(23)
Profit from associates and joint ventures	<b>25</b>	192	(87)
Underlying profit before taxation <sup>1</sup>	<b>1,093</b>	834	31
Restructuring	<b>(855)</b>	(1,845)	54
Other items	<b>171</b>	(512)	Nm <sup>2</sup>
Statutory profit/(loss) before taxation	<b>409</b>	(1,523)	127
Taxation	<b>(600)</b>	(673)	11
Loss for year	<b>(191)</b>	(2,196)	91
Underlying return on equity (%)	<b>0.3</b>	(0.4)	
Return on equity (%)	<b>(1.1)</b>	(5.3)	
Underlying earnings/(loss) per share (cents)	<b>3.4</b>	(6.6)	
Loss per share (cents)	<b>(14.5)</b>	(91.9)	
Dividend per share (cents)	-	13.7	
Common Equity Tier 1 ratio end point basis (%)	<b>13.6</b>	12.6	

<sup>1</sup> A reconciliation between underlying and statutory results is set out later in this document

<sup>2</sup> Not meaningful

## Standard Chartered PLC - Group Chief Financial Officer's review

### Underlying operating expenses

Operating expenses excluding the UK bank levy were 4 per cent lower year-on-year or 2 per cent on a constant currency basis. Regulatory costs continue to be a significant part of overall costs given the number of continuing initiatives.

The Group delivered more than \$1.2 billion of gross cost efficiencies in 2016 primarily through actions taken to reduce staff costs at the end of 2015. This created capacity for 50 per cent more investment year-on-year, which contributed to higher expenses in the second half.

This investment was focused on enhancing our regulatory and compliance infrastructure and upgrading or replacing technology platforms. This will over time improve our control environment and make us more efficient and better able to serve our clients.

Actions are underway to achieve at least a further \$1.1 billion of gross cost efficiencies by the end of 2018 such that operating expenses excluding the UK bank levy in 2018 are lower than in 2015.

	2016 \$million	2015 \$million	Better / (worse) %
Staff costs	5,576	5,994	7
Premises costs	740	779	5
General administrative expenses	1,469	1,620	9
Depreciation and amortisation	680	639	(6)
Other operating expenses	8,465	9,032	6
UK bank levy	383	440	13
Regulatory costs	1,127	1,006	(12)
Total operating expenses	9,975	10,478	5
Staff numbers	86,693	84,075	
Cost to income ratio	72.2%	67.8%	
Statutory cost to income ratio	72.6%	73.1%	

### Underlying loan impairment

Loan impairment in 2015 included \$1.6 billion related to exposures transferred to the liquidation portfolio that was incurred prior to transfer. Excluding this, loan impairment in our ongoing business of \$2.4 billion was flat year-on-year and remains elevated relative to historic trends.

Within the ongoing business Commercial Banking loan impairment was lower year-on-year across all regions

although it remains elevated. Continued improvement in Retail Banking loan impairment was driven primarily by a better performance in Korea and our focus on affluent clients that resulted in an improved portfolio mix. Offsetting this were increases in Corporate & Institutional Banking loan impairment related to a small number of clients engaged in commodity-related sectors and parts of the diamond and jewellery industry.

	2016 \$million	2015 \$million	Better / (worse) %
Corporate & Institutional Banking	1,401	723	(94)
Retail Banking	489	677	28
Commercial Banking	491	980	50
Private Banking	1	1	-
Central & other items	-	-	-
Ongoing business loan impairment	2,382	2,381	-
Corporate & Institutional Banking	-	1,353	
Commercial Banking	-	181	
Private Banking	-	93	
Liquidation portfolio loan impairment	-	1,627	
Underlying Impairment on loans and advances and other credit risk provisions	2,382	4,008	41
Loan impairment / loan book (bps)	92	143	

### Other impairment

Other impairment of \$383 million included Principal Finance valuation impairment of \$226 million, up \$153 million year-on-year, related to changes in the trading outlook for companies invested in.

### Profit from associates and joint ventures

Profit from associates and joint ventures of \$25 million included a \$153 million loss in relation to the Group's share of losses arising from credit issues recently reported by its Permata joint venture in Indonesia. In addition to the

underlying loss, a further \$62 million was taken as a restructuring charge, giving a total loss of \$215 million relating to this joint venture.

### Ongoing business and liquidation portfolio

Credit quality for the Group overall has improved although stresses remain in parts of the portfolio.

We have made significant progress in 2016 exiting exposures in the liquidation portfolio.



## Standard Chartered PLC - Group Chief Financial Officer's review

As a result, gross non-performing loans (NPLs) in the liquidation portfolio were \$3.7 billion lower and the NPL cover ratio improved from 47 per cent to 64 per cent.

Gross NPLs in the ongoing business of \$5.9 billion were \$633 million higher year-on-year following the downgrade of a small number of exposures in Corporate & Institutional Banking. New inflows into NPLs in the ongoing business have slowed year-on-year, however continued challenging market conditions mean stresses remain in certain commodities related sectors. The NPL cover ratio of our ongoing business rose to 69 per cent and 73 per cent after including collateral.

Credit grade 12 accounts in the ongoing business increased to \$1.5 billion in 2016 but new inflows have slowed in the second half.

We continue to take action to improve the Group's credit quality, exiting weaker credit or lower return clients, and we are selectively adding new clients. Overall the Group's exposures remain short tenor and are becoming increasingly diverse as we proactively manage our portfolios within the Group's tighter risk appetite.

	31.12.16			31.12.15		
	Ongoing business \$million	Liquidation portfolio \$million	Total \$million	Ongoing business \$million	Liquidation portfolio \$million	Total \$million
Impairment						
Underlying loan impairment	2,382	–	2,382	2,381	1,627	4,008
Restructuring loan impairment	–	409	409	–	968	968
Statutory loan impairment	2,382	409	2,791	2,381	2,595	4,976
Loans and advances						
Gross loans and advances	258,396	3,854	262,250	260,143	7,940	268,083
Net loans and advances	254,463	1,433	255,896	257,007	4,396	261,403
Credit quality						
Gross Non Performing Loans	5,880	3,807	9,687	5,247	7,512	12,759
Individual Impairment Provisions	(3,355)	(2,421)	(5,776)	(2,584)	(3,544)	(6,128)
Net Non Performing Loans	2,525	1,386	3,911	2,663	3,968	6,631
Credit Grade 12 accounts <sup>1</sup>	1,499	22	1,521	893	318	1,211
Cover ratio % <sup>2</sup>	69	64	67	62	47	53
Cover ratio (after collateral) % <sup>3</sup>	73	80	76	71	64	67
Risk weighted assets	265,637	3,808	269,445	283,298	19,627	302,925

<sup>1</sup> Includes Corporate & Institutional Banking, Commercial Banking and Central & other items

<sup>2</sup> Including portfolio impairment provision

<sup>3</sup> Excluding portfolio impairment provision

### Restructuring and other items

We have made good early progress executing against the commitments we made to restructure the Group's businesses.

The Group incurred further restructuring charges in 2016 of \$855 million taking the total since November 2015 to \$2.7 billion. The main components of the 2016 charges include:

- A charge against income of \$85 million comprising net interest income on the liquidation portfolio offset by fair value adjustments and gains and losses on business disposals. This includes write-downs of legacy assets in a non-strategic Corporate Finance business and our closed equity derivatives business, and a gain on the sale of our Philippines Retail Banking business offset by a loss following the reclassification of our Thailand Retail Banking business.
- Expenses of \$236 million largely arising from redundancy costs and further branch rationalisation most of which was incurred in the fourth quarter
- Loan impairment of \$409 million and other impairment of \$63 million related almost entirely to the liquidation portfolio
- A \$62 million loss related to the Group's share of losses on a portfolio of loans separately identified by its Permata joint venture that are to be liquidated

In 2016 the Group disclosed its decision to reduce its balance sheet exposure to Principal Finance by streamlining the business over time and managing its third party portfolio to maximise value for shareholders and third party investors.

In 2016 Principal Finance incurred losses of around \$650 million compared to losses of around \$300 million in 2015. As a non-strategic business the Group will exit Principal Finance and future gains and losses will be treated as restructuring and excluded from the underlying results of the Group.

It remains our expectation that restructuring charges will total around \$3 billion once complete.

In addition to restructuring charges other items excluded from the Group's underlying performance include:

- In 2015 the Group incurred a one-off valuation adjustment of \$863 million relating to a change in its methodology for estimating credit and funding valuation adjustments
- In 2015 the Group realised a \$218 million net gain on the sale of standalone consumer finance businesses in Hong Kong and elsewhere. In 2016 the Group booked a \$253 million net gain relating to the sale of its Mandatory Provident Fund business in Hong Kong
- The Group has adopted the IFRS 9 Financial Instruments requirement to reflect changes in the value attributable to own credit on fair value elected liabilities in other comprehensive income. As a result, in 2016 the Group's own credit adjustment loss of \$372 million was reported within equity instead of through the income statement. This change will remove future volatility in the reported results arising from changes in the Group's own credit risk

## Standard Chartered PLC - Group Chief Financial Officer's review

- Goodwill impairment of \$166 million in 2016 related to the Group's subsidiary in Thailand where market

conditions remain challenging and we are exiting our local Retail Banking business

	2016							
	Underlying	Restructuring	Valuation methodology changes	Net gain on businesses disposed/held for sale	Own credit adjustment	Goodwill impairment	Gains arising on repurchase of subordinated liabilities	Statutory
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	13,808	(85)	—	253	—	—	84	14,060
Operating expenses	(9,975)	(236)	—	—	—	—	—	(10,211)
Operating profit before impairment losses and taxation	3,833	(321)	—	253	—	—	84	3,849
Impairment losses on loans and advances and other credit risk provisions	(2,382)	(409)	—	—	—	—	—	(2,791)
Other impairment	(383)	(63)	—	—	—	(166)	—	(612)
Profit/(loss) from associates and joint ventures	25	(62)	—	—	—	—	—	(37)
Profit before taxation	1,093	(855)	—	253	—	(166)	84	409

	2015							
	Underlying	Restructuring	Valuation methodology changes	Net gain on businesses disposed/held for sale	Own credit adjustment	Goodwill impairment	Gains arising on repurchase of subordinated liabilities	Statutory
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	15,439	—	(863)	218	495	—	—	15,289
Operating expenses	(10,478)	(695)	—	—	—	—	—	(11,173)
Operating profit before impairment losses and taxation	4,961	(695)	(863)	218	495	—	—	4,116
Impairment losses on loans and advances and other credit risk provisions	(4,008)	(968)	—	—	—	—	—	(4,976)
Other impairment	(311)	(182)	—	—	—	(362)	—	(855)
Profit from associates and joint ventures	192	—	—	—	—	—	—	192
Profit/(loss) before taxation	834	(1,845)	(863)	218	495	(362)	—	(1,523)

### Group summary consolidated balance sheet

As a result of actions taken in 2016 the Group's balance sheet is more resilient, more liquid and becoming increasingly diverse across multiple dimensions including industry, region and single names.

We continue to be funded primarily by client deposits with a client advances-to-deposits ratio of 67.6 per cent. The Group's funding structure remains conservative with limited refinancing requirements over the next few years.

Around 70 per cent of the Group's financial assets are held at amortised cost and 61 per cent of total assets have a residual maturity of less than one year.

Key points to note:

- Cash balances increased by \$5.4 billion reflecting higher surplus liquidity held primarily in Europe & Americas
- Loans to banks and customers remained stable year-on year. Loans to customers were lower by 2 per cent despite increases in short-term reverse repurchase transactions due to a strong focus on returns and restructuring activities. Offsetting this loans to banks were up 12 per cent with strong growth in ASEAN & South Asia and Greater China & North Asia as we redeployed liquidity into these markets
- Investment securities were down 6 per cent or \$8 billion as we reduced holdings of UK Government bonds and other debt securities due to price volatility and increased to a lesser degree investments in US treasury bills to

take advantage of the eligibility criteria for liquid asset buffers. Around 90 per cent of our investment in treasury bills and debt securities are of investment grade and 48 per cent have a residual maturity of less than 12 months

- Customer appetite for derivative transactions has increased in currency and rates markets as political uncertainties caused volatility in the US dollar against emerging markets and G10 currencies. This was partially offset by declines in commodity derivatives as the Group was managing its commodity exposures. Our derivative positions continue to be largely balanced
- Customer accounts increased by 5 per cent or \$19 billion to \$378 billion year-on-year with more focus on diverse sources of funding including from repurchase transactions
- Debt securities of \$52 billion were \$16 billion lower compared to 2015 as the Group focused on customer accounts as a source of efficient funding
- Subordinated liabilities decreased \$2.3 billion primarily due to the redemption and repurchase of notes partly offset by debt issued in the year

Total shareholders' equity of \$49 billion was \$146 million higher reflecting the \$2 billion of AT1 securities issued in the year partly offset by \$779 million foreign currency translation reserve loss, a \$342 million own credit adjustment, \$231 million of dividend on preference shares and AT1 coupons, and a loss after tax in the year of \$191 million.

## Standard Chartered PLC - Group Chief Financial Officer's review

	31.12.16 \$million	31.12.15 \$million	Increase / (decrease) \$million	Increase / (decrease) %
<b>Assets</b>				
Cash and balances at central banks	70,706	65,312	5,394	8
Loans and advances to banks <sup>1</sup>	74,669	66,769	7,900	12
Loans and advances to customers <sup>1</sup>	255,896	261,403	(5,507)	(2)
Investment securities <sup>1</sup>	123,812	131,846	(8,034)	(6)
Derivative financial instruments	65,509	63,143	2,366	4
Other assets	56,100	52,010	4,090	8
<b>Total assets</b>	<b>646,692</b>	<b>640,483</b>	<b>6,209</b>	<b>1</b>
<b>Liabilities</b>				
Deposits by banks <sup>1</sup>	37,612	38,248	(636)	(2)
Customer accounts <sup>1</sup>	378,302	359,127	19,175	5
Debt securities in issue <sup>1</sup>	52,370	68,797	(16,427)	(24)
Derivative financial instruments	65,712	61,939	3,773	6
Subordinated liabilities and other borrowed funds	19,523	21,852	(2,329)	(11)
Other liabilities <sup>1</sup>	44,515	42,008	2,507	6
<b>Total liabilities</b>	<b>598,034</b>	<b>591,971</b>	<b>6,063</b>	<b>1</b>
<b>Equity</b>	<b>48,658</b>	<b>48,512</b>	<b>146</b>	<b>-</b>
<b>Total liabilities and shareholders' funds</b>	<b>646,692</b>	<b>640,483</b>	<b>6,209</b>	<b>1</b>
<b>Advances to deposits ratio</b>	<b>67.6%</b>	<b>72.8%</b>		

<sup>1</sup> Includes balances held at fair value through profit or loss

### Risk-weighted assets

Total Group RWAs of \$269.4 billion at the end of 2016 were 11 per cent or \$33.5 billion lower compared to 31 December 2015

Credit RWAs were \$31.5 billion lower following the exit of exposures in the liquidation portfolio that reduced RWAs by \$15.8 billion, changes in Financial Markets and Principal

Finance assets and reductions from model, methodology and policy changes as well as foreign currency translation.

Operational risk RWAs were \$1.9 billion lower due to the change in income over a rolling three-year time horizon.

Market risk RWAs were broadly flat with XVA and hedging increases offset by reductions elsewhere including various structured products.

	31.12.16 \$million	31.12.15 \$million	Increase / (decrease) \$million	Increase / (decrease) %
<b>By client segment</b>				
Corporate & Institutional Banking	142,765	167,735	(24,970)	(15)
Retail Banking	42,163	47,659	(5,496)	(12)
Commercial Banking	31,938	34,628	(2,690)	(8)
Private Banking	6,088	7,173	(1,085)	(15)
Central & other items	46,491	45,730	761	2
<b>Total</b>	<b>269,445</b>	<b>302,925</b>	<b>(33,480)</b>	<b>(11)</b>
<b>By risk type</b>				
Credit Risk	213,875	245,402	(31,527)	(13)
Operational Risk	33,693	35,610	(1,917)	(5)
Market Risk	21,877	21,913	(36)	0
<b>Total Risk</b>	<b>269,445</b>	<b>302,925</b>	<b>(33,480)</b>	<b>(11)</b>

### Capital base and ratios

The Group remains well capitalised with its CET1 capital ratio of 13.6 per cent up 100 basis points in 2016 primarily due to the reduction of RWAs. The Group's leverage ratio increased to 5.7 per cent from 5.5 per cent due to a small increase in Tier 1 capital as a result of Tier 1 capital issued in the year.

The Group issued \$2 billion of AT1 securities in August 2016 which contributed to an improvement in its Tier 1 capital ratio by nearly 160 basis points to 15.7 per cent at the end of 2016.

The Group met both the CET1 ratio and the leverage ratio requirements of the 2016 Bank of England stress test after the impact of strategic management actions.

The Group did not meet its Tier 1 capital requirement but the Prudential Regulation Authority (PRA) Board concluded that in light of the steps the Group had already taken during 2016 to strengthen its capital position it was not required to submit a revised capital plan.

In January 2017 the Group strengthened its capital position further by issuing another \$1 billion of AT1 securities.

The eventual outcome of regulatory reforms to finalise banks' capital requirements remains unclear. The Basel Committee on Banking Supervision intended to publish the final standards for the calibration and implementation of capital floors by the end of 2016 but recently communicated that it

## Standard Chartered PLC - Group Chief Financial Officer's review

required more time to finalise the package. Until these proposals and the extent to which Europe and the PRA will

adopt them is known eventual bank capital requirements that affect the Group remains uncertain.

	31.12.16	31.12.15
	\$million	\$million
Common Equity Tier 1 capital	36,608	38,182
Additional Tier 1 capital (AT1) instruments	5,684	4,591
Tier 1 capital	42,292	42,773
Tier 2 capital	15,146	16,248
Total capital	57,438	59,021
Common Equity Tier 1 capital ratio (end point)	13.6%	12.6%
Total capital ratio (transitional)	21.3%	19.5%
Leverage ratio	5.7%	5.5%
Average leverage ratio	5.6%	n/a

### Summary

The series of actions that we committed to at the end of 2015 and executed throughout 2016 were designed with a challenging macro environment in mind.

Despite these challenges we ended the year with income stability, lower costs and we have strengthened our foundations, increasing our resilience to economic cycles.

While this early progress is encouraging further significant improvement in our financial performance is required.

The timing and extent of any financial benefit that might arise should the macro environment improve in 2017 remains uncertain. Our collective actions in 2016 will in any

event enable us to build a stronger business over time with better returns.

We remain confident in the opportunities in our markets as well as the ability of our people and our strategy to capture them.

**Andy Halford**  
*Group Chief Financial Officer*  
 24 February 2017

## Standard Chartered PLC - Client segment reviews

We have four client segments Corporate & Institutional Banking and Private Banking are run globally, with clients in those segments supported by relationship managers with global oversight. Commercial Banking and Retail Banking are run regionally with global oversight of segment strategy, systems and products. Clients are served by country-level relationship managers with specific knowledge of the local market. Items not directly managed by client segments are included in Central & other items. The following table highlights the performance of our client segments during 2016.

### GROUP PERFORMANCE BY CLIENT SEGMENT (AUDITED)

	2016					
	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & Other Items	Total
	\$million	\$million	\$million	\$million	\$million	\$million
<b>Underlying performance</b>						
Operating income	6,472	4,669	1,295	496	876	13,808
Operating expenses	(4,268)	(3,413)	(929)	(463)	(902)	(9,975)
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,204</b>	<b>1,256</b>	<b>366</b>	<b>33</b>	<b>(26)</b>	<b>3,833</b>
Impairment losses on loans and advances and other credit risk provisions	(1,401)	(489)	(491)	(1)	-	(2,382)
Other impairment	(368)	(1)	5	-	(19)	(383)
Profit from associates and joint ventures	-	-	-	-	25	25
<b>Underlying profit/(loss) before taxation</b>	<b>435</b>	<b>766</b>	<b>(120)</b>	<b>32</b>	<b>(20)</b>	<b>1,093</b>
Restructuring	(459)	(47)	(26)	(73)	(250)	(855)
Net gains on businesses disposed held for sale	-	-	-	-	253	253
Own Credit adjustment <sup>1</sup>	-	-	-	-	-	-
Goodwill impairment	-	-	-	-	(166)	(166)
Gains arising on repurchase of subordinated liabilities	-	-	-	-	84	84
<b>Statutory (loss)/ profit before taxation</b>	<b>(24)</b>	<b>719</b>	<b>(146)</b>	<b>(41)</b>	<b>(99)</b>	<b>409</b>
<b>Total assets</b>	<b>289,183</b>	<b>96,834</b>	<b>27,151</b>	<b>11,974</b>	<b>221,550</b>	<b>646,692</b>
Of which: loans and advances to customers	122,231	93,488	24,013	11,908	4,256	255,896
<b>Total liabilities</b>	<b>347,865</b>	<b>121,015</b>	<b>35,576</b>	<b>21,840</b>	<b>71,738</b>	<b>598,034</b>
Of which: customer accounts	204,279	117,355	32,570	21,767	2,331	378,302
Risk-weighted assets (unaudited)	142,765	42,163	31,938	6,088	46,491	269,445
Underlying return on risk-weighted assets (unaudited)	0.3%	1.7%	(0.4)%	0.5%	(0.0)%	0.4%

	2015 <sup>2</sup>					
	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & Other Items	Total
	\$million	\$million	\$million	\$million	\$million	\$million
<b>Underlying performance</b>						
Operating income	7,181	5,107	1,605	534	1,012	15,439
Operating expenses	(4,456)	(3,510)	(1,071)	(341)	(1,100)	(10,478)
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,725</b>	<b>1,597</b>	<b>534</b>	<b>193</b>	<b>(88)</b>	<b>4,961</b>
Impairment losses on loans and advances and other credit risk provisions	(2,076)	(678)	(1,160)	(94)	-	(4,008)
Other impairment	(244)	-	(17)	-	(50)	(311)
Profit from associates and joint ventures	-	-	-	-	192	192
<b>Underlying profit/(loss) before taxation</b>	<b>405</b>	<b>919</b>	<b>(643)</b>	<b>99</b>	<b>54</b>	<b>834</b>
Restructuring	(1,193)	(395)	(61)	(7)	(189)	(1,845)
Valuation methodology changes	(863)	-	-	-	-	(863)
Net gains on businesses disposed/ held for sale	-	-	-	-	218	218
Own Credit adjustment <sup>1</sup>	-	-	-	-	495	495
Goodwill impairment	-	-	-	-	(362)	(362)
<b>Statutory (loss)/ profit before taxation</b>	<b>(1,651)</b>	<b>524</b>	<b>(704)</b>	<b>92</b>	<b>216</b>	<b>(1,523)</b>
<b>Total assets</b>	<b>288,047</b>	<b>97,266</b>	<b>25,460</b>	<b>15,393</b>	<b>214,317</b>	<b>640,483</b>
Of which: loans and advances to customers	121,523	94,697	24,340	15,296	5,547	261,403
<b>Total liabilities</b>	<b>347,184</b>	<b>117,189</b>	<b>32,361</b>	<b>24,627</b>	<b>70,610</b>	<b>591,971</b>
Of which: customer accounts	187,462	114,584	30,685	24,540	1,856	359,127
Risk-weighted assets (unaudited)	167,735	47,659	34,628	7,173	45,730	302,925
Underlying return on risk-weighted assets (unaudited)	0.2%	1.8%	(1.6)%	1.4%	0.1%	0.3%

<sup>1</sup> In 2016 the Group was an early adopter of the IFRS 9 Financial Instruments requirement to reflect changes in the value attributable to own credit on fair value elected liabilities in other comprehensive income. IFRS 9 does not permit the prior year to be restated.

<sup>2</sup> The 2015 comparatives have been re-presented to reflect the reorganisation of the Group's client segments.

## Standard Chartered PLC - Client segment reviews

### Corporate & Institutional Banking

#### PERFORMANCE HIGHLIGHTS

- Underlying income down owing to difficult market conditions, Principal Finance losses and assertive management actions, which impacted balance sheet momentum
- Underlying profit rose with tightly controlled costs and reduced loan impairment more than offsetting lower income and significant Principal Finance losses
- Balance sheet momentum improved in the second half of 2016, supported by Trade Finance

#### Segment overview

Corporate & Institutional Banking supports our clients with transaction banking, corporate finance, financial markets and lending products and services in over 50 countries. We provide solutions to over 4,000 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 and operating in Asia, Africa and the Middle East as well as those looking for access to and support in these dynamic markets.

#### Strategic objectives

We want to be the bank of choice for our clients' global investment, trade and payment needs. Our priorities for the segment are to:

- Better organise ourselves around our clients to deliver a service that is more aligned to their needs
- Improve the efficiency of how we do business to provide clients with a seamless experience, irrespective of jurisdiction or time zone
- Diversify and expand our client base, particularly to those based in OECD countries, to drive revenues and returns
- Leverage our unique footprint by focusing on clients for whom our network is a key differentiator
- Embed ourselves in our clients' operations and supply chains to maximise the relevance of our network and product suite
- Improve and grow our asset distribution capabilities to increase balance sheet efficiency and better mitigate against risks
- Improve the quality of our funding base to reduce funding costs, improve returns and enable future growth
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

- Identified a new generation of clients to drive growth, including selectively on-boarding new clients in the OECD region for whose business the Group's network is a differentiator
- 
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- Restructured our client coverage model to improve efficiency and reduce overlaps
- Won multiple key mandates from our buyer-supplier ecosystem initiative
- Delivered our cost reduction target for 2016 and took actions that will drive further efficiency improvements
- On track to exit or up-tier the low-returning portfolio identified in 2015
- Improved processes with significantly faster credit turnaround times and a reduction in the average number of days taken to on-board a new client
- Took significant actions to improve our risk profile

#### Financial performance summary

Statutory loss before taxation of \$24 million in 2016 compared with a loss of \$1,651 million in 2015.

Underlying profit before taxation rose 7 per cent year-on-year to \$435 million due to reduced loan impairment and expenses which more than offset lower income and significant Principal Finance losses.

The difference between underlying and statutory profit before taxation is explained by restructuring charges of \$459 million in 2016 and \$1,193 million in 2015 as well as a \$863 million loss on valuation methodology changes recorded in 2015. Commentary hereafter is on an underlying basis, unless otherwise stated.

#### Income

Income of \$6,472 million was down 10 per cent year-on-year as a result of challenging market conditions, Principal Finance losses and loss of income from exposures that were moved to the liquidation portfolio during 2016. This was partially offset by the non-recurrence of mark-to-market losses on syndicated loans in the prior year and by credit and funding valuation adjustment gains. Income in the second half of 2016 rose 6 per cent compared to the first half.

Transaction Banking income fell 11 per cent year-on-year. Within this, Trade Finance income fell 20 per cent due to weaker demand and declining commodity prices early in the year. Cash Management income was impacted by lower balances, although margins improved from higher central bank rates in the US and a change in mix towards high quality operating account balances. Custody income was lower owing to the weaker investment environment in emerging markets. Transaction Banking income grew 4 per cent in the second half compared to the first half of 2016, driven by balance sheet growth and improved margins in Cash Management, coupled with a stabilised performance in Trade Finance.

Financial Markets income fell 2 per cent year-on-year, impacted by actions taken to rationalise the product range to enhance capital efficiency. This was coupled with lower income from Foreign Exchange and Rates. Foreign Exchange income declined 10 per cent as spread compression offset volume growth. Rates income fell 10 per cent from lower structured callable notes issuance.

## Standard Chartered PLC - Client segment reviews

This was offset by credit and funding valuation adjustment gains and increased Credit income, which benefited from higher secondary market activity.

Corporate Finance income rose 4 per cent year-on-year although income in 2015 was significantly impacted by mark-to-market losses on syndicated loans. Excluding these from both years, income fell 19 per cent, impacted by more selective origination and challenging market conditions.

Lending and Portfolio Management income fell 43 per cent, reflecting lower balances as we exited low-returning relationships and from margin compression.

Principal Finance income fell from \$53 million in 2015 to negative \$219 million in 2016 due to fair valuation of Principal Finance investments

### Expenses

Expenses fell 4 per cent year-on-year to \$4,268 million. These savings and the wider cost efficiency programme created capacity for increased investment to enhance our regulatory and compliance platforms and to deliver strategic initiatives.

### Impairment

Loan impairment fell 33 per cent year-on-year to \$1,401 million. 2015 included \$1,353 million of impairment relating to exposures transferred to the liquidation portfolio that was incurred prior to transfer. Loan impairment of \$795 million in the second half of 2016 compared with \$606 million in the first half with the increase driven by exposures to the diamond and jewellery sector.

Other impairment rose 51 per cent due to valuation impairment of Principal Finance investments following changes in the trading outlook for companies we invested in.

### Balance sheet

Loans and advances to customers rose 1 per cent as higher reverse repo balances were offset by lower balances in Lending and Portfolio Management. The exit of exposures within the liquidation portfolio also impacted loans and significantly reduced risk-weighted assets balances. Asset momentum improved in the second half, supported by growth in Trade Finance balances.

Customer accounts rose 9 per cent, driven by repo balances, operating account balances and corporate term deposits.

	2016 \$million	2015 \$million	Better / (worse) %
<b>Underlying performance</b>			
Transaction Banking	2,168	2,448	(11)
Financial Markets	2,486	2,533	(2)
Corporate Finance	1,801	1,733	4
Lending and Portfolio Management	236	414	(43)
Principal Finance	(219)	53	nm <sup>1</sup>
<b>Operating income</b>	<b>6,472</b>	<b>7,181</b>	<b>(10)</b>
Operating expenses	(4,268)	(4,456)	4
Loan impairment	(1,401)	(2,076)	33
Other impairment	(368)	(244)	(51)
<b>Underlying profit before taxation</b>	<b>435</b>	<b>405</b>	<b>7</b>
<b>Statutory loss before taxation</b>	<b>(24)</b>	<b>(1,651)</b>	<b>99</b>
Loans and advances to customers	122,231	121,523	1
Customer accounts	204,279	187,462	9
Risk-weighted assets	142,765	167,735	(15)
Underlying return on risk-weighted assets	0.3%	0.2%	5bps

<sup>1</sup> Not meaningful

## Standard Chartered PLC - Client segment reviews

### Retail Banking

#### PERFORMANCE HIGHLIGHTS

- Transformation is well underway with significant investment in digitisation and improvement in leading performance indicators
- Continued improvement in expenses and loan impairment offset by lower income
- Income declined year-on-year, but rose in the second half of 2016, underpinned by improved client quality, balance sheet growth and Wealth Management

#### Segment overview

We serve over 9 million affluent and emerging affluent clients and small businesses in many of the world's fastest growing cities across Asia, Africa and the Middle East. Our focus is on serving the banking needs of these Priority, Business and Personal Clients with market-leading digital capabilities and best-in-class products.

#### Strategic objectives

We have made significant progress transforming Retail Banking in the last two years, sharpening our client proposition and building new technology.

Our priorities for the segment are:

- Continue to shift the client mix towards affluent and emerging affluent clients by focusing on our corporate ecosystems and alliances
- Improving quality of income through changes in client mix, risk profiles and products
- Invest to improve client experience through an enhanced end-to-end digital offering, with straightforward platforms and best-in-class products and services
- Move towards a more automated and standardised business model to improve efficiency and reduce our cost-to-income ratio
- Focus on core cities to drive income growth supported by digitisation and branch optimisation
- Reinvalidate our brand by clearly defining our proposition and simplifying our product and service offering
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

- Increased share of income from Priority clients to 39 per cent of Retail Banking income supported by more than 90,000 new-to-bank Priority clients
- Announced the exit of Retail Banking in the Philippines and Thailand
- New risk decision framework in 11 markets to target high-quality growth and lower volatility in our unsecured asset portfolio
- Step-up of investment in digitisation with Retail Workbench now operational in 10 markets, upgraded mobile and internet banking platform in 12 markets, the launch of video/chat banking in three markets, and enhanced client payment capabilities in selected markets

- Commenced a multi-year overhaul of core platforms and digital sales capability in Wealth Management
- Launched focused client campaigns with new alliance partners, including Uber in six markets, Asia Miles in Hong Kong and Samsung Card and Shinsegae/E-mart in Korea

#### Financial performance summary

Statutory profit before taxation of \$719 million in 2016 compared with a statutory profit of \$524 million in 2015.

Retail Banking recorded underlying profit before taxation of \$766 million in 2016 compared to a profit of \$919 million in 2015 owing to lower income, which more than offset continued improvement in expenses and loan impairment. Excluding the impact of currency translation, the exit of our consumer finance business and a property disposal gain recorded in 2015, underlying profit declined 10 per cent due to lower income and increased investment.

The difference between underlying and statutory profit before taxation is explained by restructuring charges of \$47 million in 2016 and \$395 million in 2015. Commentary hereafter is on an underlying basis, unless otherwise stated.

#### Income

Income fell 9 per cent year-on-year to \$4,669 million, or 4 per cent excluding the impact of currency translation, business exits and a property disposal gain recorded in 2015. This decline was driven by weaker Wealth Management income in the first half of the year and lower income from unsecured lending. Income rose 2 per cent in the second half driven by Deposits and Wealth Management.

Greater China & North Asia income declined 9 per cent year-on-year, or 2 per cent excluding the impact of local currency depreciation, business exits and a property disposal gain recorded in 2015. Growth in Hong Kong from Deposits was offset by declines in Korea and to a lesser extent China and Taiwan. Korea income fell due to lower central bank rates and actions to improve the risk profile of our unsecured lending portfolio. Income rose in Korea in the second half compared to the first half driven by Mortgages and Wealth Management. Wealth Management income also rose in all other markets in the region during the second half of 2016 benefiting from improved market conditions.

ASEAN & South Asia income fell 10 per cent year-on-year or 8 per cent on a constant currency basis. Income was impacted by central bank rate cuts in India which offset asset growth, and by lower Credit Cards and Personal Loans income in Singapore and Malaysia resulting from actions to improve client quality.

Africa & Middle East income fell 6 per cent year-on-year, impacted by local currency depreciation, particularly in Nigeria. On a constant currency basis, income fell 3 per cent with growth in Africa from Deposits and Wealth Management offset by central bank rate cuts in Pakistan and lower Wealth Management income in UAE.



## Standard Chartered PLC - Client segment reviews

### Expenses

Retail Banking expenses fell 3 per cent year-on-year to \$3,413 million. On a constant currency basis, expenses were flat with cost efficiency initiatives and business exits offset by increased investment in digitisation and in our sales force.

### Impairment

Loan impairment fell 28 per cent year-on-year to \$489 million. Reduced loan impairment in 2016 is an outcome of improving portfolio performance and mix across markets, notably Korea.

### Balance sheet

Loans and advances to customers decreased by 1 per cent compared with the end of 2015 as growth in Mortgages was offset by a decline in Personal Loans. Risk-weighted assets fell due to model changes and a reduction in higher risk weighted balances. Customer accounts increased by 2 per cent driven by Greater China & North Asia.

	Greater China & North Asia		ASEAN & South Asia		Africa & Middle East		Europe & Americas		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	Better/ worse %
<b>Underlying performance</b>	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	
Operating income	2,445	2,683	1,381	1,531	809	864	34	29	4,669	5,107	(9)
Operating expenses	(1,714)	(1,866)	(1,054)	(1,012)	(623)	(615)	(22)	(17)	(3,413)	(3,510)	3
Loan impairment	(180)	(296)	(222)	(312)	(87)	(70)	–	–	(489)	(678)	28
Other impairment	–	–	–	–	(1)	–	–	–	(1)	–	nm <sup>1</sup>
<b>Underlying profit before taxation</b>	<b>551</b>	<b>521</b>	<b>105</b>	<b>207</b>	<b>98</b>	<b>179</b>	<b>12</b>	<b>12</b>	<b>766</b>	<b>919</b>	<b>(17)</b>
<b>Statutory profit before taxation</b>	<b>524</b>	<b>171</b>	<b>102</b>	<b>182</b>	<b>82</b>	<b>162</b>	<b>11</b>	<b>9</b>	<b>719</b>	<b>524</b>	<b>37</b>
Loans and advances to customers	62,261	60,388	25,001	27,667	5,912	6,360	314	282	93,488	94,697	(1)
Customer accounts	79,627	75,523	27,892	28,974	8,606	8,744	1,230	1,343	117,355	114,584	2
Risk-weighted assets	21,205	24,262	14,327	16,284	6,423	6,927	208	186	42,163	47,659	(12)
Underlying return on risk-weighted assets									1.7%	1.8%	(11)bps

<sup>1</sup> Not meaningful

## Standard Chartered PLC - Client segment reviews

### Commercial Banking

#### PERFORMANCE HIGHLIGHTS

- We made good progress on our multi-year overhaul of the business and improving its risk profile
- Lower loss for the year with reduced loan impairment and expenses more than offsetting a decline in income
- Customer deposits grew in the second half but loans and advances were lower, impacted by management actions to improve the business' risk profile

#### Segment overview

Our clients are small and mid-sized companies in 27 markets across Asia, Africa and the Middle East. We serve these clients through dedicated relationship managers, providing financial solutions and services in areas such as trade finance, cash management, foreign exchange and interest rate hedging.

#### Strategic objectives

Our ambition is to be our clients' partner of choice as they build their businesses internationally.

Our priorities for the segment are:

- Focus on digital channels and processes efficiencies to improve client experience
- Materially improve the risk profile of the business by continuing to upgrade the standard of our client due diligence and credit risk management
- Leverage the Corporate & Institutional Banking product set and technology capabilities to strengthen our client offering
- Continue to control expenses in support of a lower cost-to-income ratio
- Invest in frontline staff to upgrade relationship manager capabilities and invest to create targeted value propositions to meet our clients' needs
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

- Completed a client due diligence remediation programme and the exit of our small and mid-sized enterprise (SME) business in the UAE as well as enhancing financial crime controls
- Enhanced credit risk management by implementing refreshed portfolio standards for originating business and increased credit training for relationship managers
- Integrated Local Corporates clients, roughly doubling the size of Commercial Banking
- Migrated from legacy platforms and made progress integrating our infrastructure with Corporate & Institutional Banking
- Began setting up sector-specific offerings for clients and rolled out a dedicated Transaction Banking and Financial Markets sales coverage model to meet clients' international banking needs

- Reduced the cost base through targeted initiatives

#### Financial performance summary

Statutory loss before taxation in 2016 of \$146 million compared with a loss of \$704 million in 2015.

Commercial Banking recorded an underlying loss before taxation of \$120 million in 2016 compared to a loss of \$643 million in 2015 owing to lower loan impairment and expenses.

The difference between underlying and statutory loss before taxation is explained by restructuring charges of \$26 million in 2016 and \$61 million in 2015. Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income statement

Income fell 19 per cent year-on-year to \$1,295 million due to declines in Greater China & North Asia and to a lesser extent ASEAN & South Asia and Africa & Middle East. The decline was driven by a slowdown in economic activity, reduced demand for Foreign Exchange hedging products in Hong Kong and by assertive steps taken to improve the risk profile of the business including the exit of our SME business in the UAE. Income in the second half declined 6 per cent owing to lower Lending income, which was impacted by management actions to optimise returns and reduce risk.

Greater China & North Asia income fell 26 per cent year-on-year impacted mainly by a slowdown in economic activity in China. Income in Hong Kong was particularly impacted by reduced demand for Foreign Exchange products used for hedging, owing to renminbi depreciation. Income from Korea declined owing to lower balances in Transaction Banking and Lending, as well as margin reduction in Cash Management and Lending as a result of central bank rate cuts.

Income from ASEAN & South Asia fell 10 per cent year-on-year. Income was down across most products due to the impact of management actions to optimise returns and reduce risk, coupled with unfavourable macroeconomic environment and local currency depreciation. Income from Trade Finance and Financial Markets stabilised in the second half compared to the first half of 2016.

Income from Africa & Middle East fell 19 per cent year-on-year, largely owing to our tightened risk appetite and the exit of our SME business in the UAE, which impacted income from Trade Finance and Financial Markets. African markets, notably Nigeria, were impacted primarily by local currency depreciation.

#### Expenses

Expenses declined 13 per cent year-on-year to \$929 million, benefiting from cost efficiency actions and reduced headcount in Korea following the Special Retirement Plan announced at the end of 2015.

## Standard Chartered PLC - Client segment reviews

### Impairment

Loan impairment improved 58 per cent year-on-year to \$491 million – or a decline of 50 per cent in the ongoing business – but remains elevated, particularly in Africa & Middle East.

### Balance sheet

Loans and advances to customers decreased 1 per cent compared to 2015 as a result of management actions to

improve the business' risk profile. Risk-weighted assets decreased by 8 per cent over the period.

Customer accounts increased 6 per cent year-on-year driven by Greater China & North Asia and Africa & Middle East. Commercial Banking remains a liquidity generator for the Group with a ratio of customer advances to deposits of 74 per cent.

	Greater China & North Asia		ASEAN & South Asia		Africa & Middle East		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	Better/ worse
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	%
<b>Underlying performance</b>									
Operating income	522	709	478	533	295	363	1,295	1,605	(19)
Operating expenses	(427)	(510)	(280)	(313)	(222)	(248)	(929)	(1,071)	13
Loan impairment	(114)	(423)	(158)	(429)	(219)	(308)	(491)	(1,160)	58
Other impairment	2	(9)	3	(8)	–	–	5	(17)	nm
<b>Underlying (loss)/profit before taxation</b>	<b>(17)</b>	<b>(233)</b>	<b>43</b>	<b>(217)</b>	<b>(146)</b>	<b>(193)</b>	<b>(120)</b>	<b>(643)</b>	<b>81</b>
<b>Statutory (loss)/profit before taxation</b>	<b>(23)</b>	<b>(285)</b>	<b>27</b>	<b>(221)</b>	<b>(150)</b>	<b>(198)</b>	<b>(146)</b>	<b>(704)</b>	<b>79</b>
Loans and advances to customers	11,925	12,097	8,306	8,307	3,782	3,936	24,013	24,340	(1)
Customer accounts	20,107	17,717	8,699	9,523	3,764	3,445	32,570	30,685	6
Risk-weighted assets	11,346	14,431	13,301	12,521	7,291	7,676	31,938	34,628	(8)
Underlying return on risk-weighted assets							(0.4)%	(1.6)%	126bps

<sup>1</sup> Not meaningful

## Standard Chartered PLC - Client segment reviews

### Private Banking

#### PERFORMANCE HIGHLIGHTS

- Income was impacted by market volatility and actions taken to improve the risk profile of the segment
- Investment increased significantly to enhance our control environment, improve our technology infrastructure and hire senior private bankers
- Assets under management declined owing to actions we took to improve our risk profile as well as maturing deposits

#### Segment overview

We help our clients manage, preserve and grow their wealth, recognising that in many cases their personal and business banking needs are closely linked. Through our presence in Asia, Africa, the Middle East and the UK, we offer clients access to a full suite of private banking services from investment and credit solutions to wealth preservation and succession planning. We combine market insights from multiple sources with our own research to deliver investment recommendations and our open architecture platform ensures clients can access a wide range of investment solutions.

#### Strategic objectives

We want to be recognised as the private bank for entrepreneurs and are investing significantly to capture the opportunities present in our footprint.

Our priorities for the segment are:

- Enhance controls and processes to increase productivity
- Invest in our core banking platform and upgrade technology to improve the quality and breadth of our client service
- Broaden product offering to give our staff the tools they need to attract new clients with assets under management of at least \$5 million
- Leverage the deep relationships across other client segments to expand our Private Banking client base
- Enhance our ability to attract and service ultra high net worth clients by investing in existing staff and hiring senior private bankers
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

- Put in place a new Executive Management Team to drive the segment forward
- Intensified frontline hiring with a greater focus on more senior private bankers who are better able to acquire and service ultra high net worth clients
- In partnership with Thomson Reuters, we were the first in the industry to deliver cross-asset product

recommendations and investment advice live through our online client interface

- Delivered a number of exclusive product launches, strengthened our discretionary proposition with our new US high yield fixed income portfolio and capitalised on demand for yield to launch our non-resident external deposit product

#### Financial performance summary

Statutory loss before taxation of \$41 million in 2016 compared with a profit of \$92 million in 2015.

Private Banking recorded underlying profit of \$32 million in 2016 compared to a profit of \$99 million in 2015 owing to lower income and higher expenses, which more than offset the benefit of lower loan impairment.

The difference between underlying and statutory profit before taxation is explained by restructuring charges of \$73 million in 2016 and \$7 million in 2015. Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income

Income declined 7 per cent year-on-year to \$496 million, or a decline of 12 per cent excluding a one-off insurance recovery booked in 2016. The performance was impacted by market volatility and actions taken to improve the risk profile of the segment.

Wealth Management income fell 23 per cent year-on-year as market volatility early in the year impacted sales of funds and treasury products. Income was also impacted by actions we took which reduced secured lending balances in ASEAN & South Asia and Africa & Middle East. Wealth Management income declined in the second half of the year compared with the first half of 2016 owing to our actions to refocus the segment.

Income from Retail Products grew 17 per cent year-on-year, mainly in Deposits, which benefited from interest rate rises on foreign currency deposits in Hong Kong and Singapore. This momentum continued in the second half of the year with income growth of 12 per cent in Retail Products compared with the first half.

#### Expenses

Expenses rose 36 per cent year-on-year to \$463 million, or an increase of 17 per cent excluding a one-off insurance credit in 2015. This increase was driven by a step-up in investment to enhance our control environment, the upfront cost to upgrade to our core banking platform and the hiring of new senior private bankers.

## Standard Chartered PLC - Client segment reviews

### Impairment

Loan impairment benefited from the non-repeat of a provision relating to a single client in the first half of 2015. In the ongoing business, loan impairment was negligible in 2016.

### Assets under management

Assets under management declined 4 per cent to \$54 billion as growth in Hong Kong was offset by actions we took to improve our risk profile in other markets as well as maturing deposits.

### Balance sheet

Loans and advances to customers declined 22 per cent year-on-year and customer accounts declined 11 per cent year-on-year impacted by the maturity of fixed-term leveraged deposit products during the period. Loans and advances were also impacted by actions to improve our risk profile. Risk-weighted assets fell by 15 per cent year-on-year impacted by these same factors.

	2016	2015	Better / (worse)
	\$million	\$million	%
<b>Underlying performance</b>			
Transaction Banking	1	1	-
Corporate Finance	-	2	(100)
Wealth Management	280	365	(23)
Retail Products	193	165	17
Principal Finance	-	1	nm <sup>1</sup>
Other	22	-	nm <sup>1</sup>
<b>Operating income</b>	<b>496</b>	<b>534</b>	<b>(7)</b>
Operating expenses	(463)	(341)	(36)
Loan impairment	(1)	(94)	99
Other impairment	-	-	nm <sup>1</sup>
<b>Underlying profit before taxation</b>	<b>32</b>	<b>99</b>	<b>(68)</b>
<b>Statutory (loss)/profit before taxation</b>	<b>(41)</b>	<b>92</b>	<b>(145)</b>
Loans and advances to customers	11,908	15,296	(22)
Customer accounts	21,767	24,540	(11)
Assets under management	54,218	56,664	(4)
Risk-weighted assets	6,088	7,173	(15)
Underlying return on risk-weighted assets	0.5%	1.4%	(95)bps

<sup>1</sup> Not meaningful

## Standard Chartered PLC - Client segment reviews

### Central & other items

#### Segment overview

Items included in Central & other items in client segments and regions analysis differ, depending on whether they are managed directly by client segments, regions or centrally.

Central & other items in the client segment analysis includes corporate centre costs, Asset and Liability Management (ALM), treasury activities, joint ventures and associate investments, and the UK bank levy.

#### Financial performance summary

Statutory loss before taxation of \$99 million in 2016 compared with a profit of \$216 million in 2015.

Underlying loss before taxation of \$20 million in 2016 compared with a profit of \$54 million in 2015, with improved expenses and other impairments offset by lower profits from associates and joint ventures and lower income.

The difference between underlying and statutory profit before taxation is primarily explained by the following items:

- Restructuring charges of \$250 million in 2016 and \$189 million in 2015
- Gain on sale of \$253 million in 2016 and \$218 million in 2015. The gain in 2016 relates to the sale of Mandatory Provident Fund in Hong Kong, while the gain in 2015 relates to the sale of Prime Credit in Hong Kong
- An own credit adjustment gain of \$495 million reported in the income statement in 2015. In 2016 an own credit adjustment loss of \$372 million was reported within equity
- Goodwill impairment of \$166 million in 2016 and \$362 million in 2015. The 2016 impairment relates to our business in Thailand while the 2015 impairment related to our business in Taiwan
- Gains arising on repurchase of subordinated liabilities of \$84 million in 2016 compared with nil in 2015 as wider credit spreads enabled the Group to buy back Standard Chartered's issued debt from the market at a discount

Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income

Income declined 13 per cent year-on-year owing to lower yields on liquid asset securities on lower central bank rates in Korea, India and China, lower gains from the realisation of available-for-sale securities. This was partly offset by the non-repeat of the foreign exchange related loss on the prior year rights issue.

#### Expenses

Operating expenses declined 18 per cent owing to the non-recurrence of one-off items from 2015, lower UK bank levy and a reduction in costs relating to structural cost hedges. The UK bank levy declined to \$383 million in 2016 compared to \$440 million in 2015 due to reduced rates and an increase in assets qualifying for relief.

#### Impairment

Other impairment was lower by 62 per cent due to non-recurring strategic investment writedowns in 2015.

#### Associates and joint ventures

Associates and joint ventures recorded a profit of \$25 million in 2016 compared with a profit of \$192 million in 2015 impacted by losses at joint venture PT Bank Permata on elevated impairments.

#### Balance sheet

Loans and advances to customers and customer accounts mainly relate to ALM activity. Balances are generally small, but can fluctuate between periods.

Risk-weighted assets rose 2 per cent predominantly due to higher securities holdings by ALM.

	2016	2015	Better / (worse)
	\$million	\$million	%
<b>Underlying performance</b>			
Operating income	876	1,012	(13)
Operating expenses	(902)	(1,100)	18
Loan impairment		-	nm <sup>1</sup>
Other impairment	(19)	(50)	62
Profit from associates and joint ventures	25	192	(87)
<b>Underlying (loss)/profit before taxation</b>	<b>(20)</b>	<b>54</b>	<b>nm<sup>1</sup></b>
Restructuring	(250)	(189)	(32)
Net gains on businesses disposed/held for sale	253	218	16
Own credit adjustment	-	495	nm <sup>1</sup>
Goodwill impairment	(166)	(362)	54
Gains arising on repurchase of subordinated liabilities	84	-	nm <sup>1</sup>
<b>Statutory (loss)/profit before taxation</b>	<b>(99)</b>	<b>216</b>	<b>nm<sup>1</sup></b>
Loans and advances to customers	4,256	5,547	(23)
Customer accounts	2,331	1,856	26
Risk-weighted assets	46,491	45,730	2
<b>Underlying return on risk-weighted assets</b>	<b>(0.0)%</b>	<b>0.1%</b>	<b>(16)bps</b>

<sup>1</sup> Not meaningful

## Standard Chartered PLC - Regional reviews

We have a simplified organisational structure that ensures we support clients across our footprint. Our four regions – Greater China & North Asia, ASEAN & South Asia, Africa & Middle East and Europe & Americas – are managed by their own CEOs. Items not directly managed by regions are included in Central & Other items. The following table outlines the 2016 performance of each of our regions.

### GROUP PERFORMANCE BY REGION (AUDITED)

	2016					
	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
Underlying performance <sup>e</sup>	\$million	\$million	\$million	\$million	\$million	\$million
<b>Operating income</b>	<b>5,190</b>	<b>4,052</b>	<b>2,742</b>	<b>1,664</b>	<b>160</b>	<b>13,808</b>
<b>Operating expenses</b>	<b>(3,546)</b>	<b>(2,518)</b>	<b>(1,730)</b>	<b>(1,302)</b>	<b>(879)</b>	<b>(9,975)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>1,644</b>	<b>1,534</b>	<b>1,012</b>	<b>362</b>	<b>(719)</b>	<b>3,833</b>
Impairment losses on loans and advances and other credit risk provisions	(424)	(762)	(563)	(511)	(122)	(2,382)
Other impairment	(47)	3	(18)	1	(322)	(383)
Profit/(loss) from associates and joint ventures	167	(146)	–	–	4	25
<b>Underlying profit/(loss) before taxation</b>	<b>1,340</b>	<b>629</b>	<b>431</b>	<b>(148)</b>	<b>(1,159)</b>	<b>1,093</b>
Restructuring	(137)	(443)	(82)	(113)	(80)	(855)
Net gains on businesses disposed/held for sale	253	–	–	–	–	253
Goodwill impairment	–	–	–	–	(166)	(166)
Gains arising on repurchase of subordinated liabilities	–	–	–	–	84	84
<b>Statutory profit/(loss) before taxation</b>	<b>1,456</b>	<b>186</b>	<b>349</b>	<b>(261)</b>	<b>(1,321)</b>	<b>409</b>
Net interest margins	1.3%	2.0%	3.2%	0.5%	–	1.5%
<b>Total assets</b>	<b>239,740</b>	<b>143,704</b>	<b>56,980</b>	<b>195,937</b>	<b>10,331</b>	<b>646,692</b>
Of which: loans and advances to customers	110,533	73,161	28,140	44,062	–	255,896
<b>Total liabilities</b>	<b>210,795</b>	<b>126,701</b>	<b>38,020</b>	<b>181,639</b>	<b>40,879</b>	<b>598,034</b>
Of which: customer accounts	169,957	88,141	29,931	90,273	–	378,302
Risk-weighted assets (unaudited)	76,665	96,673	52,849	43,487	(229)	269,445
	2015 <sup>2</sup>					
	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
Underlying performance <sup>e</sup>	\$million	\$million	\$million	\$million	\$million	\$million
<b>Operating income</b>	<b>6,077</b>	<b>4,253</b>	<b>2,858</b>	<b>1,877</b>	<b>374</b>	<b>15,439</b>
<b>Operating expenses</b>	<b>(3,763)</b>	<b>(2,621)</b>	<b>(1,790)</b>	<b>(1,387)</b>	<b>(917)</b>	<b>(10,478)</b>
<b>Operating profit/(loss) before impairment losses and taxation</b>	<b>2,314</b>	<b>1,632</b>	<b>1,068</b>	<b>490</b>	<b>(543)</b>	<b>4,961</b>
Impairment losses on loans and advances and other credit risk provisions	(935)	(1,942)	(844)	(192)	(95)	(4,008)
Other impairment	(28)	(63)	(36)	18	(202)	(311)
Profit from associates and joint ventures	172	15	–	–	5	192
<b>Underlying profit/(loss) before taxation</b>	<b>1,523</b>	<b>(358)</b>	<b>188</b>	<b>316</b>	<b>(835)</b>	<b>834</b>
Restructuring	(520)	(547)	(112)	(516)	(150)	(1,845)
Valuation methodology changes	–	–	–	–	(863)	(863)
Net gains on businesses disposed/held for sale	217	–	1	–	–	218
Own Credit adjustment	–	–	–	–	495	495
Goodwill impairment	–	–	–	–	(362)	(362)
<b>Statutory profit/(loss) before taxation</b>	<b>1,220</b>	<b>(905)</b>	<b>77</b>	<b>(200)</b>	<b>(1,715)</b>	<b>(1,523)</b>
Net interest margin	1.5%	2.1%	3.4%	0.6%	–	1.7%
<b>Total assets</b>	<b>233,102</b>	<b>150,566</b>	<b>60,123</b>	<b>188,478</b>	<b>8,214</b>	<b>640,483</b>
Of which: loans and advances to customers	106,161	86,343	31,070	37,829	–	261,403
<b>Total liabilities</b>	<b>208,220</b>	<b>130,253</b>	<b>40,961</b>	<b>170,142</b>	<b>42,395</b>	<b>591,971</b>
Of which: customer accounts	163,519	90,731	33,013	71,864	–	359,127
Risk-weighted assets (unaudited)	82,070	109,730	57,566	56,815	(3,256)	302,925

<sup>1</sup> In 2016 the Group was an early adopter of the IFRS 9 Financial Instruments requirement to reflect changes in the value attributable to own credit on fair value elected liabilities in other comprehensive income. IFRS 9 does not permit the prior year to be restated

<sup>2</sup> The 2015 comparatives have been re-presented to reflect the reorganisation of the Group's regions

## Standard Chartered PLC - Regional reviews

### Greater China & North Asia

#### PERFORMANCE HIGHLIGHTS

- Underlying profit down with income impacted by a slowdown in China and actions taken to improve our risk profile
- Performance momentum improved in the second half with income up half-on-half
- Progress made addressing performance challenges, particularly in Korea and China

#### Region overview

Greater China & North Asia is the Group's largest region and includes our client segments in Hong Kong, China, Taiwan, Korea, Japan and Mongolia. Hong Kong remains our single largest market, underpinned by a diversified franchise and deeply-rooted presence. Our distinctive proposition and continued investment position us strongly to capture opportunities as they arise from the continuing opening up of China's economy.

#### Strategic objectives

Our business is fit for growth after a series of management actions that include significantly improving the risk profile of our credit portfolios – particularly in China and Korea – and reducing our cost base, which has created the capacity to invest.

Our priorities for the region are:

- Leverage our network strength to serve inbound and outbound cross-border trade and investment needs of our Corporate & Institutional Banking clients
- Invest to capture opportunities arising from China's opening, including renminbi, One Belt One Road, onshore capital markets and mainland wealth flows
- Invest in digital capabilities to improve our client service and experience in our Retail Banking and Private Banking segments
- Optimise physical presence and invest in core cities
- Return China and Korea to sustained profitability and strengthen market position in Hong Kong
- Continue to leverage strategic alliances to accelerate client acquisition
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

- Strong progress in Retail Banking with over 40,000 Priority new-to-bank clients in Hong Kong
- Launched several alliances including Asia Miles and Disney in Hong Kong and Samsung and Shinsegae/E-Mart in Korea
- Significant investment in digital platforms supporting the rollout of enhanced payment capabilities and digital Wealth Management solutions
- Returned Korea to profitability through focused client acquisition, cost efficiencies and an improved risk profile
- Strengthened China desks across the network to better position the Group to capture growth in cross-border trade and investment

- Maintained leadership in renminbi services. We became the first commercial issuer of Special Drawing Rights bonds in China and are well positioned to benefit from One Belt, One Road initiatives

#### Financial performance summary

Statutory profit before taxation of \$1,456 million in 2016 compared with a profit of \$1,220 million in 2015.

Greater China & North Asia recorded underlying profit before taxation of \$1,340 million in 2016 compared to a profit of \$1,523 million in 2015 owing to lower income, which more than offset lower expenses and improved loan impairment.

Underlying profit before taxation rose 27 per cent to \$108 million in China, but fell 14 per cent in Hong Kong to \$1,111 million and 59 per cent to \$69 million in Taiwan. Korea reported underlying profit before taxation of \$35 million in 2016 compared with a loss of \$17 million in 2015.

The difference between underlying and statutory profit before taxation is explained by restructuring charges of \$137 million in 2016 and \$520 million in 2015 as well as business disposal gains of \$253 million in 2016 and \$217 million in 2015. Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income

Income from the region fell 15 per cent year-on-year to \$5,190 million and was impacted by a slowdown in China as well as actions taken in 2015 to improve the risk profile of the region. Income momentum improved in the second half across all markets and client segments, with a 3 per cent increase half-on-half.

Income in Hong Kong fell 9 per cent year-on-year to \$3,138 million owing to lower income from Foreign Exchange, Trade Finance and Lending. This impacted Corporate & Institutional Banking and Commercial Banking, which saw income fall 14 per cent and 29 per cent, respectively. Retail Banking income fell 1 per cent owing to business exits. Excluding business exits, Retail Banking income rose 5 per cent year-on-year benefiting from improved margins and volumes in Deposits. Wealth Management income fell compared to 2015, but momentum improved during the year, with second half income up 10 per cent compared with the first half.

In Korea, income fell 23 per cent year-on-year to \$881 million. Retail Banking income fell 23 per cent impacted by business exits and a property disposal gain recorded in 2015. Excluding these, income fell 12 per cent due to actions taken to improve the risk profile of our unsecured lending portfolio and from Deposit margin compression from central bank rate cuts. Income from Corporate & Institutional Banking fell 18 per cent, impacted by lower Rates income while Commercial Banking income fell 21 per cent due to lower loans and advances and margin compression.

Income in China declined 22 per cent year-on-year to \$696 million, or 16 per cent on a constant currency basis, driven by policy measures impacting margins and actions taken to improve our risk profile. Slower economic and trade activity also impacted business volume. We successfully on-boarded strategic clients from growth industries as China continues to be a key origination market for network income.

Income in Taiwan declined 20 per cent year-on-year to \$407 million, impacted by weaker Financial Markets income across Corporate & Institutional Banking and Commercial Banking.



## Standard Chartered PLC - Regional reviews

Retail Banking was affected by lower income from unsecured lending, a slowdown in the property market and by weak investor sentiment which impacted Wealth Management in the first half of the year.

### Expenses

Expenses were well controlled across the region and declined 6 per cent year-on-year to \$3,546 million, or 4 per cent on a constant currency basis. Cost efficiency initiatives focused on premises and branch rationalisation and staff headcount reduction, particularly around removing role duplications, which created capacity for increased investments in our strategic objectives.

### Impairment

Loan impairment decreased 55 per cent year-on-year to \$424 million reflecting good progress in the strengthening of

our risk profile. Non-performing loan levels improved across our largest markets. Impairments in Commercial Banking and Retail Banking were lower, however Corporate & Institutional Banking impairments rose driven by a small number of exposures.

### Balance sheet

Loans and advances to customers rose 4 per cent year-on-year, mainly due to growth in reverse repos and improved momentum in Corporate Finance in Hong Kong. Risk-weighted assets fell 7 per cent due to actions taken to optimise low-returning client relationships in Corporate & Institutional Banking.

Customer accounts rose 4 per cent driven by Retail Banking.

	2016	2015	Better / (worse)
	\$million	\$million	%
<b>Underlying performance</b>			
Operating income	5,190	6,077	(15)
Operating expenses	(3,546)	(3,763)	6
Loan impairment	(424)	(935)	55
Other impairment	(47)	(28)	(68)
Profit from associates and joint ventures	167	172	(3)
<b>Underlying profit before taxation</b>	<b>1,340</b>	<b>1,523</b>	<b>(12)</b>
<b>Statutory profit before taxation</b>	<b>1,456</b>	<b>1,220</b>	<b>19</b>
Net interest margin	1.3%	1.5%	(17)bps
Loans and advances to customers	110,533	106,161	4
Customer accounts	169,957	163,519	4
Risk-weighted assets	76,665	82,070	(7)

## Standard Chartered PLC - Regional reviews

### ASEAN & South Asia

#### PERFORMANCE HIGHLIGHTS

- The region returned to profit as we controlled expenses and the improved risk profile resulted in lower loan impairments
- Income declined year-on-year driven by weaker market conditions, local currency depreciation and actions we took to reposition our business
- Cost efficiencies enabled increased investment in the second half

#### Region overview

Our ASEAN & South Asia business is well balanced with strong representation from all four of the Group's client segments. We are the only international bank with a presence in all 10 ASEAN countries and have meaningful operations in all key South Asian markets. With a deep-rooted presence for more than 150 years, our two largest markets are Singapore and India.

#### Strategic objectives

Our aim is to be the international banking partner of choice for our clients in the region. We will deliver this through a comprehensive client offering in larger markets and a more targeted proposition in smaller, high-growth markets.

Our priorities for the region are:

- Profitably build Retail Banking segments in key markets – Singapore, India, Malaysia, Bangladesh and Vietnam – through significant investment in client-facing and operationally efficient technology
- Reshape Corporate & Institutional Banking for better returns by leveraging flow and network opportunities within the Group's tightened risk appetite
- Focus on safe, differentiated growth in Commercial Banking. This will include banking the supply chains of our International Corporate clients, leveraging our international product set and helping our clients grow across our markets
- Grow Private Banking and Financial Markets by leveraging Singapore as a Wealth Management and regional hub
- Reshape or selectively exit businesses with a sub-scale or unprofitable position, while continuing to focus on cost and balance sheet efficiency to improve returns
- Improve portfolio quality by applying more rigorous risk standards
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

- Good progress in securing the foundations of the business through the rigorous application of our tightened risk appetite
- Improved processes and efficiency and created capacity to invest in our competitive strengths
- Announced the exit of Retail Banking in the Philippines and Thailand
- Added over 1,000 frontline full-time Retail Banking employees in India, Singapore and Bangladesh

- Improved our end-to-end digital sales processes resulting in a significant increase in online card acquisition in countries such as Singapore
- Our focus on banking the ecosystem of our International Corporate clients led to strong momentum in attracting new-to-bank Commercial Banking clients in India, Singapore, Malaysia and Indonesia

#### Financial performance summary

Statutory profit before taxation in 2016 of \$186 million in 2016 compared with a statutory loss of \$905 million 2015.

ASEAN & South Asia recorded underlying profit before taxation of \$629 million in 2016 compared to a loss of \$358 million in 2015 due to lower loan impairment and improved expense efficiency, partly offset by a loss from associates and joint ventures.

Underlying profit before taxation rose 14 per cent to \$416 million in Singapore. India recorded an underlying loss before taxation of \$24 million in 2016 compared with a loss of \$551 million in 2015. The return to profit for the region was also driven by Indonesia and Thailand.

The difference between underlying and statutory profit before taxation is explained by restructuring charges of \$443 million in 2016 and \$547 million in 2015. Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income

Income in the region fell 5 per cent year-on-year to \$4,052 million reflecting weaker market conditions, lower central bank rates in some of our markets, actions taken to reposition our business and local currency depreciation. Income declined 3 per cent in the second half of the year.

Income in Singapore declined 6 per cent year-on-year to \$1,489 million in 2016 reflecting margin compression and lower Financial Markets activity in Corporate & Institutional Banking and weaker demand for Wealth Management products. This was partially offset by higher Deposit income in Retail Banking which benefited from new product offerings such as the re-launch of our BonusSaver account and improved margins. Income also benefited from credit and funding valuation adjustment gains in Financial Markets. Market-wide levels of trade activity remained weak in the period although we have regained some momentum with Trade Finance balances up during the second half of the year.

Income in India fell 4 per cent year-on-year to \$960 million in 2016 driven by local currency depreciation and margin compression from central bank interest rate cuts, which particularly impacted income from Deposits and Cash Management. In addition, Lending and Trade Finance income was impacted by actions we took to improve our risk profile.

Income in Malaysia fell 12 per cent year-on-year to \$451 million in 2016 driven by local currency depreciation and actions taken to improve the risk profile of our unsecured lending portfolio in Retail Banking.

Reduced volumes impacted Financial Markets income, while margin pressure impacted Trade Finance.

Income in Indonesia rose 38 per cent to \$310 million as the prior year mark-to-market losses on syndicated loans were not repeated. Excluding this, income fell 8 per cent due to actions taken to improve the risk profile of our unsecured lending portfolio in Retail Banking.

## Standard Chartered PLC - Regional reviews

### Expenses

Expenses for the region declined 4 per cent year-on-year to \$2,518 million with the impact of cost efficiencies enabling increased investment in the second half, in particular to build infrastructure and frontline capacity in Retail Banking.

### Impairment

Loan impairment decreased 61 per cent year-on-year to \$762 million. 2015 included \$982 million of impairment relating to exposures transferred to the liquidation portfolio

that was incurred prior to transfer. Excluding this, loan impairment fell 21 per cent due to actions we took to improve

our risk profile in Commercial Banking and Retail Banking. This was partly offset by increased impairment in Corporate & Institutional Banking driven by a small number of exposures in the commodity sector in India.

### Associates and joint ventures

Profit from associates and joint ventures was impacted by losses in PT Bank Permata due to elevated impairments.

### Balance sheet

Loans and advances to customers fell by 15 per cent and risk-weighted assets fell by 12 per cent compared with 2015 due to business exits, challenging market conditions and more selective asset origination.

Customer accounts fell by 3 per cent due to balance sheet optimisation actions.

	2016 \$million	2015 \$million	Better / (worse) %
<b>Underlying performance</b>			
Operating income	4,052	4,253	(6)
Operating expenses	(2,518)	(2,621)	4
Loan impairment	(762)	(1,942)	61
Other impairment	3	(63)	nm <sup>1</sup>
(Loss)/Profit from associates and joint ventures	(146)	15	nm <sup>1</sup>
<b>Underlying profit/(loss) before taxation</b>	<b>629</b>	<b>(358)</b>	<b>nm<sup>1</sup></b>
<b>Statutory profit/(loss) before taxation</b>	<b>186</b>	<b>(905)</b>	<b>121</b>
Net interest margin	2.0%	2.1%	(8)bps
Loans and advances to customers	73,161	86,343	(15)%
Customer accounts	88,141	90,731	(3)%
Risk-weighted assets	96,673	109,730	(12)%

<sup>1</sup> Not meaningful

## Standard Chartered PLC - Regional reviews

### Africa & Middle East

#### PERFORMANCE HIGHLIGHTS

- Underlying profit improved due to lower impairments and expense efficiencies, offsetting lower income
- Our diversification within the region limited the income decline despite significant strategic actions in the UAE and local currency depreciation in Africa
- Good progress on improving conduct and controls, as well as investment priorities including the digitisation of Retail Banking in Africa

#### Region overview

We have a deep-rooted heritage of over 150 years in the region and are present in 25 markets, of which the most sizeable are the UAE, Nigeria, Pakistan and Kenya. We are the largest international bank by number of markets with a presence in Sub-Saharan Africa and one of only few banks with a strong network across Africa, Asia and the Middle East. This, coupled with our presence in origination centres in Europe & Americas, enables us to connect clients to opportunities in some of the world's most exciting growth markets.

#### Strategic objectives

We have made a conscious decision to invest through the cycle in Sub-Saharan Africa, while continuing to consolidate and build on our differentiated position across the rest of the region. Recognising near-term challenges, the Group has taken early actions to secure and invest in a platform suitable for sustainable, profitable growth, which we will leverage to capture opportunities in the medium term.

Our priorities for the region are:

- Protect and grow Retail Banking in core markets, supported by the rollout of digital capability for our clients
- Become a market leader in providing best-in-class structuring and financing solutions to our Corporate & Institutional Banking clients
- Rebuild Commercial Banking, targeting a low-cost, low-risk, supply chain-driven model with tightened underwriting standards and a focus on specific trade corridors
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

- Invested in the digitisation of Retail Banking in Africa, including upgrading our mobile and internet banking platform in eight markets and launching Retail Workbench in Kenya and Nigeria
- Improved conduct and controls capabilities through increased system automation, hubbing and increased investment in our staff
- Improved our Corporate & Institutional Banking management structure and client coverage model to enhance our offering to clients

- Deepened our relationships with Corporate & Institutional Banking clients reflected by winning more employee banking and multi-country cash management mandates, and by leading several landmark transactions
- Rolled out new underwriting standards in Commercial Banking, exited low-returning clients and developed our relationship managers

#### Financial performance summary

Statutory profit before taxation of \$349 million in 2016 compared with a profit of \$77 million in 2015.

Africa & Middle East recorded underlying profit before taxation of \$431 million in 2016 compared to \$188 million in 2015 due to lower impairments and reduced expenses. The UAE reported an underlying loss before taxation of \$31 million in 2016 compared with a loss of \$91 million in 2015.

The difference between underlying and statutory profit before taxation is primarily explained by restructuring charges of \$82 million in 2016 and \$112 million in 2015. Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income

Income from the region fell 4 per cent year-on-year to \$2,742 million reflecting local currency depreciation in Africa, actions taken to improve our risk profile, lower commodity prices and a slowdown in corporate activity in the Middle East. On a constant currency basis, income rose 2 per cent year-on-year.

Income from the UAE declined 6 per cent year-on-year to \$754 million impacted by actions taken to improve our risk profile, including the exit of our SME business in Retail Banking and Commercial Banking, and from weak market conditions. Income in the second half of the year was 12 per cent lower compared with the first half due to lower client activity in Corporate Finance and Foreign Exchange.

Income from Africa was flat year-on-year at \$1,429 million impacted by local currency depreciation, particularly in Nigeria. On a constant currency basis, income from Africa rose 12 per cent year-on-year. Despite the adverse impact of local currency depreciation, income from Kenya increased with growth across all Retail Banking products, in particular Deposits, as well as higher Corporate & Institutional Banking income due to increased activity in Corporate Finance. Income from Africa increased 2 per cent in the second half of the year compared to the first half, driven by higher Foreign Exchange and Rates income and from improved yield on our Asset and Liability Management portfolio.

#### Expenses

Expenses fell 3 per cent year-on-year to \$1,730 million, but rose 3 per cent on a constant currency basis with cost savings from headcount reductions and improved efficiency more than offset by increased investment in areas such as the digitisation of our Retail Banking business and conduct and controls.

## Standard Chartered PLC - Regional reviews

### Impairment

Loan impairment was down 33 per cent year-on-year to \$563 million. 2015 included \$230 million of impairment relating to exposures transferred to the liquidation portfolio that was incurred prior to transfer. Excluding this, loan impairment fell 8 per cent reflecting actions taken as a result of tightened risk appetite levels in our Commercial Banking portfolio. Levels of loan impairment in both Commercial Banking and Corporate & Institutional Banking, however, remained elevated due to challenging market conditions.

### Balance sheet

Loans and advances to customers declined 9 per cent year-on-year driven by local currency depreciation, actions taken to improve our risk profile and selective origination efforts in Corporate & Institutional Banking. Risk-weighted assets declined 9 per cent driven by the same factors.

Customer accounts fell 9 per cent year-on-year driven by a reduction in corporate term time deposits as we took steps to improve our liability funding mix.

	2016 \$million	2015 \$million	Better / (worse) %
<b>Underlying performance</b>			
Operating income	2,742	2,858	(4)
Operating expenses	(1,730)	(1,790)	3
Loan impairment	(563)	(844)	33
Other impairment	(18)	(36)	50
Profit from associates and joint ventures	–	–	nm <sup>1</sup>
<b>Underlying profit before taxation</b>	<b>431</b>	<b>188</b>	<b>129</b>
<b>Statutory profit before taxation</b>	<b>349</b>	<b>77</b>	<b>nm<sup>1</sup></b>
Net interest margin	3.2%	3.4%	(23bps)
Loans and advances to customers	28,140	31,070	(9)
Customer accounts	29,931	33,013	(9)
Risk-weighted assets	52,849	57,566	(8)

<sup>1</sup>: Not meaningful

## Standard Chartered PLC - Regional reviews

### Europe & Americas

#### PERFORMANCE HIGHLIGHTS

- Income fell as a result of the transfer of loans to the liquidation portfolio, and risk-weighted assets declined as these exposures were exited
- Expenses benefited from cost efficiency initiatives and some reductions in regulatory remediation costs
- Loan impairment remains elevated following additional individual and portfolio impairments

#### Region overview

With hubs in London and New York as well as a presence in several European and Latin American markets, we are the Group's largest origination centre. Our clients generate over one-third of Corporate & Institutional Banking income globally, the majority of which is booked outside the region in Asia, Africa and the Middle East. We provide our clients with rich network capabilities, comprehensive offerings in key product areas including transaction banking, corporate finance and financial markets, and deep industry expertise. We also have a profitable Private Banking business in London and Jersey.

#### Strategic objectives

The Europe & Americas region will play a vital role in delivering the Group's strategic priorities by delivering client growth, optimising returns, and through continued focus on risk and compliance management.

Our priorities for the region are:

- Serve our Corporate & Institutional Banking clients better in our emerging markets by embedding our 'one team' client approach
- Attract new International Corporate clients, deepen relationships with existing clients by banking them across the network, and expand the depth and breadth of our coverage of Financial Institutions clients
- 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
- Deliver our conduct and financial crime risk programmes

#### Progress against strategic objectives

Our focus in 2016 was on building the foundations for growth:

- Strengthened our core bank positioning with Corporate & Institutional Banking clients by restructuring our client coverage model and improving processes which has enabled better cross-sell and the on-boarding of new clients
- Continued to demonstrate renminbi expertise, acting as an advisor on the first ever Panda bond by a French issuer, and the second ever Panda bond issued by a European corporate
- Strengthened control environment and risk profile through active risk management and reduced exposure to sectors we consider higher risk in a challenging environment

- Increased investment in our Private Banking business, adding over 150 new clients in 2016
- Made good progress on the financial crime remediation programme including introducing state-of-the-art surveillance technology and launching the second phase of our internal awareness campaign

#### Financial performance summary

Statutory loss before taxation of \$261 million in 2016 compared with a loss of \$200 million in 2015.

Europe & Americas recorded an underlying loss before taxation of \$148 million in 2016 compared to a profit of \$316 million in 2015 due to higher loan impairment provisions and lower income.

The UK reported an underlying loss before taxation of \$115 million in 2016 compared with a profit of \$157 million in 2015. The US reported an underlying loss before taxation of \$76 million in 2016 compared with a profit of \$17 million in 2015.

The difference between underlying and statutory profit before taxation is explained by restructuring charges of \$113 million in 2016 and \$516 million in 2015. Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income

Income in the region fell 11 per cent year-on-year to \$1,664 million as a result of actions taken to improve our risk profile, lower client activity, loss of income from the transfer of loans to the liquidation portfolio and lower Asset and Liability Management income due to the role the region plays in managing the Group's liquidity requirements. This was partially offset by credit and funding valuation adjustment gains in Financial Markets.

Income in the UK declined 11 per cent year-on-year to \$791 million due to the loss of income on loans transferred to the liquidation portfolio. Income was also impacted by lower Asset and Liability Management income, while Trade Finance and Lending income declined due to weaker market conditions and actions taken to improve our risk profile. This was partially offset by credit and funding valuation adjustment gains and increased client activity in Foreign Exchange and Credit.

Income in the US fell 17 per cent year-on-year to \$661 million due to decreased client hedging activity in Rates, a decline in Trade Finance and Lending income due to actions taken to improve our risk profile and from lower Asset and Liability Management income. This was partially offset by increased income from Cash Management and Corporate Finance.

#### Expenses

Expenses fell 6 per cent year-on-year to \$1,302 million due to reduced regulatory remediation costs, efficiency savings and local currency depreciation.

## Standard Chartered PLC - Regional reviews

### Impairment

Loan impairment increased to \$511 million from \$192 million in 2015, driven by a small number of exposures in the diamond and jewellery sector and increased portfolio impairments in Corporate & Institutional Banking.

### Balance sheet

Loans and advances to customers increased by 16 per cent compared with 2015, driven by reverse repos backed by high quality collateral as we expanded this business in response to

client demand. Excluding the growth in this business, loans and advances to customers declined due to actions taken to improve the risk profile of our business and from the exit of exposures from the liquidation portfolio. Risk-weighted assets fell by 23 per cent due to the same factors.

Customer accounts increased 26 per cent compared with 2015 due to growth in Financial Market repos and corporate term deposits, improving the quality of our funding base.

	2016	2015	Better / (worse)
	\$million	\$million	%
<b>Underlying performance</b>			
Operating income	1,664	1,877	(11)
Operating expenses	(1,302)	(1,387)	6
Loan impairment	(511)	(192)	nm <sup>1</sup>
Other impairment	1	18	(94)
Profit from associates and joint ventures	–	–	nm <sup>1</sup>
<b>Underlying profit/(loss) before taxation</b>	<b>(148)</b>	<b>316</b>	<b>nm<sup>1</sup></b>
<b>Statutory loss before taxation</b>	<b>(261)</b>	<b>(200)</b>	<b>(31)</b>
Net interest margin	0.5%	0.6%	(9)bps
Loans and advances to customers	44,062	37,829	16
Customer accounts	90,273	71,864	26
Risk-weighted assets	43,487	56,815	(23)

<sup>1</sup>: Not meaningful

## Standard Chartered PLC - Regional reviews

### Central & other items

#### Region overview

Items included in Central & other items for client segments and regions analysis differ, depending on whether they are managed directly by client segments, regions or centrally.

Central & other items in the regional analysis includes corporate centre costs, treasury activities, certain strategic investments and the UK bank levy. Central & other items for regions also includes globally run businesses and activities that are managed by the client segments but not by regional management. These include private equity investments within our Principal Finance business and Portfolio Management.

#### Financial performance summary

On a statutory basis, we recorded a loss of \$1,321 million in 2016 compared with a loss of \$1,715 million in 2015.

Underlying loss before taxation of \$1,159 million in 2016 compared with \$835 million in 2015 driven by a decline in income and an increase in impairment.

The difference between underlying and statutory profit before taxation is primarily explained by the following items:

- Restructuring charges of \$80 million in 2016 compared with \$150 million in 2015
- Loss on valuation methodology changes of nil in 2016 and \$863 million in 2015 in relation to one-off changes to align with market practice
- An own credit adjustment gain of \$495 million reported in the income statement in 2015. In 2016 an own credit adjustment loss of \$372 million was reported within equity
- Goodwill impairment of \$166 million in 2016 and \$362 million in 2015. The 2016 impairment relates to our

- business in Thailand while the 2015 impairment related to our business in Taiwan
- Gains arising on repurchase of subordinated liabilities of \$84 million in 2016 compared with nil in 2015 as wider credit spreads enabled the Group to buy back Standard Chartered's issued debt from the market at a discount

Commentary hereafter is on an underlying basis unless otherwise stated.

#### Income

Income declined 57 per cent year-on-year due to fair valuations of private equity investments and lower realised gains on exits. This was partly offset by the non-repeat of a foreign exchange related loss on the prior year rights issue.

#### Expenses

Operating expenses decreased 4 per cent with lower UK bank levy and a reduction in costs relating to structural cost hedges partly offset by the non-recurrence of a one-off credit booked in 2015.

The UK bank levy declined to \$383 million in 2016 compared to \$440 million in 2015 predominantly as a result of reduced rates and an increase in assets qualifying for relief.

#### Impairment

Other impairment increased 59 per cent year-on-year due to valuation impairment of private equity investments following changes in the trading outlook for the companies we invested in

#### Balance sheet

The movement in risk-weighted assets in the period was due to lower Portfolio Management risk-weighted-assets savings.

	2016 \$million	2015 \$million	Better / (worse) %
<b>Underlying performance</b>			
Operating income	160	374	(57)
Operating expenses	(879)	(917)	4
Loan impairment	(122)	(95)	(28)
Other impairment	(322)	(202)	(59)
Profit from associates and joint ventures	4	5	(20)
<b>Underlying loss before taxation</b>	<b>(1,159)</b>	<b>(835)</b>	<b>(39)</b>
Restructuring	(80)	(150)	47
Valuation methodology changes	-	(863)	nm <sup>1</sup>
Own credit adjustment	-	495	nm <sup>1</sup>
Goodwill impairment	(166)	(362)	54
Gains arising on repurchase of subordinated liabilities	84	-	nm <sup>1</sup>
<b>Statutory loss before taxation</b>	<b>(1,321)</b>	<b>(1,715)</b>	<b>23</b>
Risk-weighted assets	(229)	(3,256)	93



## Standard Chartered - Group Chief Risk Officer's review

2016 has been a year of progress on many fronts from a risk and compliance perspective. We ended the year with a balance sheet that is less concentrated, with more granular risk appetite<sup>1</sup> levels that have broader coverage, and a risk governance structure that is better aligned to support the execution of the Group's strategy.

Despite this progress there is more we can do. Loan impairment is at an elevated level in our corporate portfolio and we remain focused on executing our multi-year Financial Crime Compliance and Operational Risk Framework programmes. It is imperative that risks are identified, measured and managed in a holistic manner and that the risk and compliance function supports and enables sustainable performance for the Group despite the uncertainties in the external environment.

### Risk management approach

The risk and compliance function is an integral part of the Group's strategic decision-making process and plays a key role in building a stronger and more efficient business with the potential to produce better returns. The Group's

business plans to execute our strategy are fully aligned with our tightened risk appetite and both have appropriate Board level oversight.

We have a strong capital and liquidity position and a robust risk governance structure managed by an experienced senior team which enables the support of our clients. Action taken to reduce our concentrations is making the Group less sensitive to idiosyncratic impairment volatility. Good risk management is not just about reducing exposures and we have selectively increased exposures in certain sectors and locations, further diversifying our portfolio.

We are focused on ensuring that risk and compliance work effectively as control functions to holistically identify and manage risks. A healthy risk culture owned collectively by everyone within the Group is critical to the successful delivery of our business objectives and to facilitate safe and sustainable growth.

<sup>1</sup> In 2016 our risk tolerance and risk appetite definitions were updated. Risk appetite is defined by the Group and approved by the Board. It is the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy. The management monitors against a risk tolerance that is within the Board approved risk appetite, in order to provide a buffer.

The table below shows the Group's principal risks and how they are managed.

Principal risks	Our approach
<b>Credit risk and country cross-border risk</b>	The Group manages its credit and country cross-border exposures following the principle of diversification cross-border risk across products, regions, client segments and industry sectors
<b>Market risk</b>	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
<b>Liquidity and funding risk</b>	The Group should be able to manage its portfolio to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support
<b>Capital risk</b>	The Group maintains a strong capital position including the maintenance of management buffers sufficient to support its strategic aims
<b>Operational risk (including, among others, financial crime, regulatory compliance and cyber risk)</b>	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise
<b>Strategic risk</b>	The Group reviews its strategy on an annual basis to take account of external and internal developments and monitors execution of strategic plans to ensure their effective implementation
<b>Reputational risk</b>	The Group will protect its reputation to ensure that there is no material damage to the Group's franchise

### Risk profile and performance in 2016

Overall, the credit quality for the Group has improved in 2016, although stresses remain in some sectors. This reflects significant exits within the liquidation portfolio and a repositioning of the corporate portfolio in line with our new granular risk appetite levels. The Group continues to take action to improve returns safely and sustainably. In 2016, the Group disclosed its decision to reduce balance sheet exposure to Principal Finance by streamlining the business over time. As a non-strategic business, the Group will exit Principal Finance and future gains and losses will be treated as restructuring and excluded from the underlying results of the Group. The Group's client exposures remain short tenor and our portfolio is increasingly well diversified across various dimensions as we manage within the Group's tighter risk appetite.

Conditions remain challenging in our markets in 2016. Loan impairment in the Group's ongoing business was

broadly stable compared to last year representing an historically elevated level.

Risk performance by client segment is as follows:

- Corporate & Institutional Banking loan impairment remains elevated compared to long run historical levels. Economic conditions in certain sectors remained challenging, notably in the oil and gas support services and diamond and jewellery sector, although exposures to these sectors are not material in the context of the Group. Conditions also remain stressed in certain countries impacted by sustained low commodities prices. The cover ratio for the Corporate & Institutional Banking ongoing business has improved to 62 per cent from 47 per cent through 2016

## Standard Chartered - Group Chief Risk Officer's review

- Commercial Banking loan impairment remained elevated but improved significantly across all regions benefitting from improvements in credit and account management. The cover ratio increased from 70 per cent in 2015 to 75 per cent in 2016
- Retail Banking loan impairment continued to benefit from actions taken to reduce higher risk unsecured portfolios, and the rollout of a new Retail decisioning framework in 11 markets to target high quality originations

The Group's gross non-performing loans (NPLs) fell year-on-year, mainly due to progress on the liquidation portfolio. Gross NPLs in the ongoing business increased, driven by a small number of exposures in the Corporate & Institutional Banking segment.

NPL inflows, credit grade 12 inflows and accounts on early alert fell in the second half of 2016. However, it is likely that the challenging conditions in our markets will persist into 2017 and therefore we remain vigilant.

### Update on key risk priorities

In the Group's 2016 half year report and accounts I described the priorities that we were focused on in 2016. We still have more work to do on many of these objectives but I can report the following progress on each priority:

- **Build on the Group's risk culture**  
We made good progress in embedding accountability and end-to-end ownership of risk within the business teams. We continue to set the tone from the top to build a strong first line of defence
- **Proactive portfolio management**  
We worked closely in the year with the credit portfolio management team within Corporate & Institutional Banking to reshape the segment's risk appetite, ensuring pricing discipline and improved distribution. We continue to enhance our stress-testing capability and build our enterprise-wide risk management function so that we can better manage the boundaries within which the Group operates

- **Right-size our risk appetite**

The Board approved more granular risk appetite levels to avoid the build-up of concentrations. We have actively reduced exposures in key areas such as commodity producers and in higher risk sectors in China. We will continue to identify and manage risks as they emerge

- **Exit the liquidation portfolio and learn the lessons**

We exited more than 80 per cent of RWAs in the liquidation portfolio with limited additional impairment. The hard lessons learnt from this exercise influence our approach to addressing the preceding three priorities

- **Enhance our compliance risk management framework**

We are making progress to implement our multi-year programme to upgrade systems. We are investing in best-in-class systems and are committed to achieving the highest possible standards of conduct from all employees under our firm-wide conduct programme

- **Mitigating financial crime risks**

Our investment in control systems and data analytics is improving our ability to fight financial crime. We are committed to being a leader in fighting financial crime

- **Strengthen the management of information and cyber security risks**

The evolving threat landscape and increased focus by regulators on information and cyber security (ICS) risk has led to enhanced focus by the Group. While much progress has been made, we will continue to assess and invest in our ICS risk capability

- **Improve risk infrastructure**

We have multiple initiatives to improve infrastructure for exposure management, data quality, stress-testing, operational risk management and reporting

## Standard Chartered - Group Chief Risk Officer's review

### Principal uncertainties

We are in the business of taking selected risks to generate shareholder value, and we seek to contain and mitigate these risks to ensure they remain within our risk appetite and are adequately compensated. The table below shows the Group's principal uncertainties and how we are managing them.

Principal uncertainties	Change from prior year	How this is mitigated
<b>Deteriorating macro-economic conditions including continuing slow growth in the eurozone, moderation of growth in China and asset price correction</b>	Risk remained consistent with 2015 levels	<ul style="list-style-type: none"> <li>We have a 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</li> <li>We monitor economic trends and geo-political events and conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible events</li> </ul>
<b>Geo-political uncertainties, including increasing protectionist policies following the US Presidential elections and the UK referendum decision to leave the European Union (Brexit) and the impact on world trade</b>	Risk heightened in 2016	<ul style="list-style-type: none"> <li>We ensure that there is regular senior level oversight, through the Group Risk Committee, of work undertaken to assess and manage geo-political risk</li> <li>We continue to proactively assess and where appropriate, manage the impact to the Group and our exposures to clients, taking account of geo-political risks</li> </ul>
<b>Evolving Financial crime, fraud and cybercrime</b>	Risk remained consistent with 2015 levels	<ul style="list-style-type: none"> <li>We continue to execute the Financial Crime Risk Mitigation Programme</li> <li>A Global Fraud Risk Management Group has been instituted to augment our fraud risk standards</li> <li>The Group has implemented a range of cyber crime defences to protect from hacking, misuse, malware, errors, social engineering and physical threats in recognition of heightened risk of cyber security</li> </ul>
<b>Operational performance eroding confidence in the Group</b>	Risk remained consistent with 2015 levels	<ul style="list-style-type: none"> <li>The Group has a clear strategy, consistent with the risk appetite and financial objectives that are agreed with the Board from time to time.</li> <li>The strategy is reviewed and challenged regularly at the Board level, with a focus on execution</li> <li>We update our equity and debt providers and rating agencies regularly to ensure they understand our progress against strategy</li> </ul>
<b>Exchange rate movements</b>	Risk remained consistent with 2015 levels	<ul style="list-style-type: none"> <li>We monitor movements closely and adjust our exposures accordingly. We hedge our exposures to protect our capital ratio where practicable</li> </ul>
<b>Evolving impact of regulatory compliance</b>	Risk remained consistent with 2015 levels	<ul style="list-style-type: none"> <li>We have implemented Group-wide policies and procedures to manage the risks associated with managing regulatory change and to inform behaviour across the organisation with clear accountability and responsibilities</li> <li>We are closely monitoring the discussions of the Basel Committee of Banking Services on the standards for the calibration and implementation of capital floors</li> </ul>
<b>Regulatory investigations, reviews and legal proceedings</b>	Risk remained consistent with 2015 levels	<ul style="list-style-type: none"> <li>We have invested in improving compliance controls, including increasing the capacity and capability of compliance resources, enhancing systems and controls, and implementing remediation programmes</li> <li>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. We are restructuring or otherwise mitigating higher-risk business activities</li> </ul>

### Conclusion

The Group has considerable opportunities to add value to our clients in our footprint. We are pursuing this objective – putting their interests at the heart of everything we do – while aligning our portfolio to our more granular risk appetite thresholds. The economic landscape remains challenging in many of our markets and we continue to take assertive actions where required.

**Mark Smith**  
Group Chief Risk Officer  
24 February 2017

## Standard Chartered PLC – Supplementary information

### Five year summary

	2016	2015	2014	2013	2012
	\$million	\$million	\$million	\$million	\$million
Operating profit before impairment losses and taxation	3,849	4,116	7,289	8,584	8,061
Impairment losses on loans and advances and other credit risk provisions	(2,791)	(4,976)	(2,141)	(1,617)	(1,196)
Other impairment	(612)	(855)	(1,161)	(1,129)	(196)
Profit/(loss) before taxation	409	(1,523)	4,235	6,064	6,851
(Loss)/profit attributable to shareholders	(247)	(2,194)	2,613	4,090	4,887
Loans and advances to banks	72,609	64,494	83,890	83,702	67,797
Loans and advances to customers	252,719	257,356	284,695	290,708	279,638
Total assets	646,692	640,483	725,914	674,380	631,208
Deposits by banks	36,894	37,611	54,391	43,517	36,427
Customer accounts	371,855	350,633	405,353	381,066	372,874
Shareholders' equity	44,368	46,204	46,432	46,246	45,362
Total capital resources	68,181	70,364	69,685	67,238	64,643
<b>Information per ordinary share</b>					
Basic (loss)/earnings per share	(14.5)c	(91.9)c	97.3c	156.5c	190.1c
Underlying earnings/(loss) per share	3.4c	(6.6)c	138.9c	194.2	214.3c
Dividends per share	-	13.71c	81.85c	81.85c	79.95c
Net asset value per share	1,307.8c	1,366.0c	1,833.9c	1,872.8c	1,852.3c
Net tangible asset value per share	1,163.9c	1,224.1c	1,610.9c	1,597.6c	1,526.5c
Return on assets	0.0%	(0.3)%	0.4%	0.6%	0.8%
<b>Ratios</b>					
Statutory return on ordinary shareholders' equity	(1.1)%	(5.3)%	5.5%	9.0%	5.1%
Underlying return on ordinary shareholders' equity	0.3%	(0.4)%	7.8%	11.2%	12.8%
Cost-income ratio - basic	72.6%	73.1%	60.2%	54.3%	57.1%
Cost-income ratio – underlying	72.2%	67.8%	58.9%	54.4%	53.7%
Capital ratios:					
CET 1/Tier 1 capital	13.6%	12.6%	10.5%	10.9%	13.4%
Total capital	21.3%	19.5%	16.7%	17.0%	17.4%

## Standard Chartered PLC – Supplementary information

### Analysis of underlying performance by key country

The following tables provide information for key countries in which the Group operates. The numbers are prepared on a management view.

2016								
	Hong Kong	Korea	China	Singapore	India	UAE	UK	US
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
<b>Operating income</b>	<b>3,138</b>	<b>881</b>	<b>696</b>	<b>1,489</b>	<b>960</b>	<b>754</b>	<b>791</b>	<b>661</b>
<b>Operating expenses</b>	<b>(1,789)</b>	<b>(761)</b>	<b>(647)</b>	<b>(967)</b>	<b>(569)</b>	<b>(513)</b>	<b>(496)</b>	<b>(658)</b>
<b>Operating profit before impairment losses and taxation</b>	<b>1,349</b>	<b>120</b>	<b>49</b>	<b>522</b>	<b>391</b>	<b>241</b>	<b>295</b>	<b>3</b>
Impairment losses on loans and advances and other credit risk provisions	(194)	(83)	(108)	(106)	(414)	(272)	(411)	(79)
Other impairment	(44)	(2)	-	-	(1)	-	1	-
Profit from associates and joint ventures	-	-	167	-	-	-	-	-
<b>Underlying profit/(loss) before taxation</b>	<b>1,111</b>	<b>35</b>	<b>108</b>	<b>416</b>	<b>(24)</b>	<b>(31)</b>	<b>(115)</b>	<b>(76)</b>
<b>Total assets employed</b>	<b>137,239</b>	<b>43,917</b>	<b>26,540</b>	<b>83,853</b>	<b>24,729</b>	<b>20,776</b>	<b>122,779</b>	<b>47,609</b>
Of which: Loans to customers	60,866	28,637	10,182	39,141	14,974	10,951	29,996	12,184
<b>Total liabilities employed</b>	<b>125,697</b>	<b>37,548</b>	<b>24,460</b>	<b>85,198</b>	<b>15,321</b>	<b>14,622</b>	<b>119,111</b>	<b>53,356</b>
Of which: Customer accounts	102,409	28,964	19,920	57,290	11,860	10,721	57,575	27,464
<b>Capital expenditure</b>	<b>1,040</b>	<b>26</b>	<b>21</b>	<b>547</b>	<b>21</b>	<b>3</b>	<b>76</b>	<b>3</b>

2015								
	Hong Kong	Korea	China	Singapore	India	UAE	UK	US
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
<b>Operating income</b>	<b>3,442</b>	<b>1,149</b>	<b>889</b>	<b>1,580</b>	<b>997</b>	<b>801</b>	<b>885</b>	<b>799</b>
<b>Operating expenses</b>	<b>(1,736)</b>	<b>(916)</b>	<b>(727)</b>	<b>(951)</b>	<b>(585)</b>	<b>(542)</b>	<b>(512)</b>	<b>(731)</b>
<b>Operating profit before impairment losses and taxation</b>	<b>1,706</b>	<b>233</b>	<b>162</b>	<b>629</b>	<b>412</b>	<b>259</b>	<b>373</b>	<b>68</b>
Impairment losses on loans and advances and other credit risk provisions	(414)	(240)	(239)	(264)	(945)	(350)	(234)	(51)
Other impairment	(7)	(10)	(10)	-	(18)	-	18	-
Profit from associates and joint ventures	-	-	172	-	-	-	-	-
<b>Underlying profit/(loss) before taxation</b>	<b>1,285</b>	<b>(17)</b>	<b>85</b>	<b>365</b>	<b>(551)</b>	<b>(91)</b>	<b>157</b>	<b>17</b>
<b>Total assets employed</b>	<b>131,517</b>	<b>44,252</b>	<b>26,354</b>	<b>87,380</b>	<b>24,840</b>	<b>22,568</b>	<b>118,836</b>	<b>56,356</b>
Of which: Loans to customers	54,927	27,552	12,268	47,394	15,996	12,456	23,897	11,506
<b>Total liabilities employed</b>	<b>121,439</b>	<b>38,364</b>	<b>23,250</b>	<b>90,372</b>	<b>14,244</b>	<b>17,136</b>	<b>106,826</b>	<b>54,828</b>
Of which: Customer accounts	97,848	28,055	19,526	60,158	11,110	13,545	47,901	18,321
<b>Capital expenditure</b>	<b>897</b>	<b>19</b>	<b>9</b>	<b>2</b>	<b>8</b>	<b>2</b>	<b>43</b>	<b>3</b>

## Standard Chartered PLC – Supplementary information

### Analysis of operating income by product and segment

The following tables provide a breakdown of the Group's underlying operating income by product and client segment.

	2016					
	Total	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items
	\$million	\$million	\$million	\$million	\$million	\$million
Transaction Banking	2,884	2,168	12	703	1	-
Trade	1,199	787	12	399	1	-
Cash Management and Custody	1,685	1,381	-	304	-	-
Financial Markets	2,729	2,486	-	243	-	-
Foreign Exchange	1,150	973	-	177	-	-
Rates	677	659	-	18	-	-
Commodities	190	168	-	22	-	-
Credit and Capital Markets	364	359	-	5	-	-
Other Financial Markets	348	327	-	21	-	-
Corporate Finance	1,897	1,801	-	96	-	-
Wealth Management	1,483	-	1,199	4	280	-
Retail Products	3,658	-	3,458	7	193	-
CCPL and other unsecured lending	1,557	-	1,556	-	1	-
Deposits	1,287	-	1,124	7	156	-
Mortgage and Auto	739	-	703	-	36	-
Other Retail Products	75	-	75	-	-	-
Asset and Liability Management	308	-	-	-	-	308
Lending and Portfolio Management	476	236	-	240	-	-
Principal Finance	(217)	(219)	-	2	-	-
Other	590	-	-	-	22	568
<b>Total underlying operating income</b>	<b>13,808</b>	<b>6,472</b>	<b>4,669</b>	<b>1,295</b>	<b>496</b>	<b>876</b>

	2015					
	Total	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items
	\$million	\$million	\$million	\$million	\$million	\$million
Transaction Banking	3,250	2,448	11	790	1	-
Trade	1,481	983	11	486	1	-
Cash Management and Custody	1,769	1,465	-	304	-	-
Financial Markets	2,921	2,533	-	388	-	-
Foreign Exchange	1,401	1,077	-	324	-	-
Rates	758	729	-	29	-	-
Commodities	259	226	-	33	-	-
Credit and Capital Markets	365	362	-	3	-	-
Other Financial Markets	138	139	-	(1)	-	-
Corporate Finance	1,837	1,733	-	102	2	-
Wealth Management	1,633	-	1,263	5	365	-
Retail Products	3,970	-	3,790	15	165	-
CCPL and other unsecured lending	1,909	-	1,908	1	-	-
Deposits	1,185	-	1,050	14	121	-
Mortgage and Auto	798	-	754	-	44	-
Other Retail Products	78	-	78	-	-	-
Asset and Liability Management	371	-	-	-	-	371
Lending and Portfolio Management	720	414	-	306	-	-
Principal Finance	54	53	-	-	1	-
Other	683	-	43	(1)	-	641
<b>Total underlying operating income</b>	<b>15,439</b>	<b>7,181</b>	<b>5,107</b>	<b>1,605</b>	<b>534</b>	<b>1,012</b>

<sup>1</sup> The 2015 comparatives have been restated to reflect the reorganisation of the Group's client segments and products

## Standard Chartered PLC – Supplementary information

### Average balance sheets and yield

The following tables set out the average balances and yields for the Group's assets and liabilities for the years ended 31 December 2016 and 31 December 2015. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

	2016			
	Average non-interest earning balance	Average interest earning balance	Interest income	Gross yield
	\$million	\$million	\$million	%
<b>Assets</b>				
Cash and balances at central banks	26,395	44,360	213	0.5
Gross loans and advances to banks	4,077	77,298	1,282	1.7
Gross loans and advances to customers	-	267,068	8,749	3.3
Impairment provisions against loans and advances to banks and customers	-	(6,458)	-	-
Investment securities	2,599	126,388	2,766	2.2
Property, plant and equipment and intangible assets	9,502	-	-	-
Prepayments, accrued income and other assets	93,401	-	-	-
<b>Total average assets</b>	<b>135,974</b>	<b>508,656</b>	<b>13,010</b>	<b>2.6</b>

	2015			
	Average non-interest earning balance	Average interest earning balance	Interest income	Gross yield
	\$million	\$million	\$million	%
<b>Assets</b>				
Cash and balances at central banks	17,405	62,960	238	0.4
Gross loans and advances to banks	3,573	79,489	1,020	1.3
Gross loans and advances to customers	76	290,624	10,373	3.6
Impairment provisions against loans and advances to banks and customers	-	(4,232)	-	-
Investment securities	7,009	126,654	2,982	2.4
Property, plant and equipment and intangible assets	9,729	-	-	-
Prepayments, accrued income and other assets	103,964	-	-	-
<b>Total average assets</b>	<b>141,756</b>	<b>555,495</b>	<b>14,613</b>	<b>2.6</b>

## Standard Chartered PLC – Supplementary information

	2016			
	Average non-interest bearing balance	Average interest bearing balance	Interest expense	Rate paid
	\$million	\$million	\$million	%
<b>Liabilities</b>				
Deposits by banks	6,691	42,169	494	1.2
Customer accounts:				
Current accounts and savings deposits	43,432	146,480	852	0.6
Time and other deposits	4,859	180,001	2,335	1.3
Debt securities in issue	449	61,636	700	1.1
Accruals, deferred income and other liabilities	90,792	11	-	-
Subordinated liabilities and other borrowed funds	1,426	20,229	835	4.1
Non-controlling interests	105	-	-	-
Shareholders' funds	48,271	-	-	-
Total average liabilities and shareholders' funds	196,025	450,526	5,216	1.2
Net yield				1.4
Net interest margin				1.5

	2015			
	Average non-interest bearing balance	Average interest bearing balance	Interest expense	Rate paid
	\$million	\$million	\$million	%
<b>Liabilities</b>				
Deposits by banks	6,516	51,803	396	0.8
Customer accounts:				
Current accounts and savings deposits	44,663	160,569	971	0.6
Time and other deposits	5,325	182,148	2,501	1.4
Debt securities in issue	264	77,736	773	1.0
Accruals, deferred income and other liabilities	100,962	5	-	-
Subordinated liabilities and other borrowed funds	878	21,895	565	2.6
Non-controlling interests	113	-	-	-
Shareholders' funds	47,312	-	-	-
Total average liabilities and shareholders' funds	206,033	494,156	5,206	1.1
Net yield				1.5
Net interest margin				1.7



## Standard Chartered PLC – Supplementary information

### Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the years presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the year and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

	2016 versus 2015		
	(Decrease)/increase in interest due to:		Net (decrease)/ increase in interest
	Volume	Rate	
	\$million	\$million	\$million
<b>Interest earning assets</b>			
Cash and unrestricted balances at central banks	(89)	64	(25)
Loans and advances to banks	(36)	298	262
Loans and advances to customers	(741)	(883)	(1,624)
Investment securities	(6)	(210)	(216)
Total interest earning assets	(872)	(731)	(1,603)
<b>Interest bearing liabilities</b>			
Subordinated liabilities and other borrowed funds	(69)	339	270
Deposits by banks	(113)	211	98
Customer accounts:			
Current accounts and savings deposits	(82)	(37)	(119)
Time and other deposits	(28)	(138)	(166)
Debt securities in issue	(183)	110	(73)
Total interest bearing liabilities	(475)	485	10

	2015 versus 2014		
	(Decrease)/increase in interest due to:		Net (decrease)/ increase in interest
	Volume	Rate	
	\$million	\$million	\$million
<b>Interest earning assets</b>			
Cash and unrestricted balances at central banks	15	(23)	(8)
Loans and advances to banks	(89)	(97)	(186)
Loans and advances to customers	(446)	(1,448)	(1,894)
Investment securities	95	(378)	(283)
<b>Total interest earning assets</b>	<b>(425)</b>	<b>(1,946)</b>	<b>(2,371)</b>
<b>Interest bearing liabilities</b>			
Subordinated liabilities and other borrowed funds	(50)	(123)	(173)
Deposits by banks	-	(12)	(12)
Customer accounts:			
Current accounts and savings deposits	(57)	19	(38)
Time and other deposits	(270)	(189)	(459)
Debt securities in issue	22	(115)	(93)
<b>Total interest bearing liabilities</b>	<b>(355)</b>	<b>(420)</b>	<b>(775)</b>

## Standard Chartered PLC – Shareholder information

### Dividend and interest payment dates

#### Ordinary shares

The Board has taken the decision to pay no final dividend for the year ended 31 December 2016

Preference shares	1st half yearly dividend	2nd half yearly dividend
7% per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2017	1 October 2017
8¼ per cent Non-cumulative irredeemable preference shares of £1 each	1 April 2017	1 October 2017
6.409 per cent Non-cumulative redeemable preference shares of \$5 each	30 January 2017	30 July 2017
7.014 per cent Non-cumulative redeemable preference shares of \$5 each	30 January 2017	30 July 2017

### Annual general meeting

The Annual General Meeting (AGM) details are as follows:

#### Date and time

Wednesday 3 May 2017

11.00am London time

(6.00pm Hong Kong time)

#### Location

etc venues

200 Aldersgate

St Paul's

London EC1A 4HD

Details of the business to be transacted at the AGM are included in the Notice of AGM

+ Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at [investors.sc.com](http://investors.sc.com)

#### Interim results

The interim results will be announced to the London Stock Exchange, The Hong Kong Stock Exchange, the Bombay Stock Exchange and the National Stock Exchange of India and put on the Company's website.

### Country-by-country reporting

In accordance with the requirements of the Capital Requirements (country-by-country reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2016, on or before 31 December 2017. We have also published our approach to tax and tax policy.

+ This information will be available on the Group's website at [sc.com](http://sc.com)

### ShareCare

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

If you would like to receive more information, please visit our website at [investors.sc.com/en/resource.cfm](http://investors.sc.com/en/resource.cfm) or contact the shareholder helpline on 0370 702 0138.

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

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Interim 2006	11 October 2006	20.83c/11.14409p/HK\$1.622699	£13.2360/\$25.03589
Final 2006	11 May 2007	50.21c/25.17397p/HK\$3.926106	£14.2140/\$27.42591
Interim 2007	10 October 2007	23.12c/11.39043p/HK\$1.794713	£15.2560/\$30.17637
Final 2007	16 May 2008	56.23c/28.33485p/HK\$4.380092	£16.2420/\$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK\$1.995046	£14.00/\$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK\$3.279597	£8.342/\$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK\$1.645304	£13.876/\$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK\$3.478306	£17.351/\$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK\$1.811274/INR0.984124 <sup>1</sup>	£17.394/\$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK\$3.623404/INR1.9975170 <sup>1</sup>	£15.994/\$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK\$1.928909813/INR1.13797125 <sup>1</sup>	£14.127/\$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK\$3.9776083375/INR2.6667015 <sup>1</sup>	£15.723/\$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK\$2.111362463/INR1.34980395 <sup>1</sup>	£13.417/\$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK\$4.4048756997/INR2.976283575 <sup>1</sup>	£17.40/\$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK\$2.233204992/INR1.6813 <sup>1</sup>	£15.362/\$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK\$4.43464736/INR3.354626 <sup>1</sup>	£11.949/\$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK\$2.2340016000/INR1.671842560 <sup>1</sup>	£12.151/\$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK\$4.43329/INR3.514059 <sup>1</sup>	£9.797/\$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK\$1.115985456/INR0.86139372 <sup>1</sup>	£8.5226/\$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A

<sup>1</sup> The INR dividend is per Indian Depository Receipt

## Standard Chartered PLC – Shareholder information

### Donating shares to ShareGift

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

+ Further information can be obtained from the Company's registrars or from ShareGift on 020 7930 3737 or from [www.ShareGift.org](http://www.ShareGift.org)

### Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account.

+ Please register online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or contact our registrar for a mandate form

### Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar

Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 7ZY or call the shareholder helpline number on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

+ You can check your shareholding at: [www.computershare.com/hk/investors](http://www.computershare.com/hk/investors)

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Computershare Private Limited, Karvy Selenium

Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500032, India.

### Chinese translation

If you would like a Chinese version of the 2016 Annual Report and Accounts please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本年報之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東

183號合和中心17M樓

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare. If there is a dispute between any translation and the English version of this Annual Report and Accounts, the English text shall prevail.

### Taxation

Information on taxation applying to dividends paid to you if you are a shareholder in the UK, Hong Kong or the US will be sent to you with your dividend documents.

### Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Annual Report and Accounts electronically rather than by post, please register online at: [www.investorcentre.co.uk](http://www.investorcentre.co.uk). Then click on Register and follow the instructions. You will need to have your Shareholder or ShareCare reference number when you log on. You can find this on your share certificate or ShareCare statement. Once registered you can also submit your proxy vote and dividend election electronically, and change your bank mandate or address information.

### Forward-looking statements

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

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement.

Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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

## **Standard Chartered PLC – Shareholder information**

*Copies of this statement are available from:*

*Investor Relations, Standard Chartered PLC, 1 Basinghall Avenue, London, EC2V 5DD or on our website at <http://investors.sc.com>*

*For further information please contact:*

*Mark Stride, Investor Relations*

*+44 20 7885 8596*

*Edwin Hui, Investor Relations, Hong Kong*

*+852 2820 3050*

*Jon Tracey, Media Relations*

*+44 20 7885 7613*

*Further information for the Full Year Results 2016 will be available on our website:*

*2016 Annual Report and Accounts*

*An investor presentation in pdf format*

*A live and on demand audio webcast of the investor and analyst presentation in London with Q&A*

*Images of our Board of directors and senior management are available for the media at <http://www.sc.com/en/about-us/ourpeople/index.html>*

*Information regarding the Group's commitment to Sustainability is available at <http://www.sc.com/sustainability>*

*Standard Chartered PLC LEI: U4LOSZY7YG4W3S5F2G91*