## Standard Chartered PLC - Performance highlights

For the year ended 31 December 2017

Standard Chartered PLC (the Group) today releases its results for the year ended 31 December 2017. All figures are presented on an underlying basis unless otherwise stated with a full reconciliation between statutory and underlying results presented on page 12 of this press release and page 211 of the 2017 Annual Report.

"The transformation of the Group continued in 2017 with the significant improvement in underlying profits, a strong capital position and emerging clarity on regulatory capital requirements allowing us to resume paying dividends. We are encouraged by our start to 2018 and remain focused on realising the Group's full potential."

**Bill Winters, Group Chief Executive**

### Financial performance for the year

- Significant improvement in profitability and returns was a direct consequence of the many actions taken since 2015
  - Profit before tax of $3.0bn was up 175% and up 71% excluding Principal Finance
  - Statutory profit before tax of $2.4bn is stated after restructuring and other items and was $2.0bn higher
  - RoE improved from 0.3% to 3.5%; just under half-way towards the Group's initial milestone of 8%
- Operating income of $14.3bn was up 3% despite a 4% drag from Financial Markets
  - 13% income growth from key areas of investment (half of total), with particular strength in liability-led products
  - Industry-wide low volatility during 2017 impacted performance in Financial Markets
  - Income was 3% lower quarter-on-quarter due partly to the early achievement of a bonus in Wealth Management
  - Net interest income increased 5% and the net interest margin increased slightly to 1.55%
- Other operating expenses of $8.6bn were well controlled rising 2% due primarily to variable pay
  - Over 85% of the four-year $2.9bn gross cost efficiencies target has been achieved with a year to go
  - Gross savings funded investment of $1.5bn (2016: $1.4bn), 50% over the 2015 level
  - Anticipate operating expenses excluding the UK bank levy in 2018 to be below 2015
- Regulatory costs rose 15%, with several large programmes including MiFID II and IFRS 9 being implemented
  - Further significant progress in implementing financial crime prevention capabilities
  - Continuing cooperation and ongoing discussions with US and UK authorities to resolve historical matters
- After updating prior-year estimates, the UK bank levy was $220m; the estimate for 2018 is around $310m
- Asset quality overall has improved with the focus on better quality origination within a more granular risk appetite
  - Loan impairment of $1.2bn halved as management actions resulted in improvement across all client segments
- Profit from associates and joint ventures rose $185m following better performances in China and Indonesia
- RWAs in the liquidation portfolio have been reduced considerably from $20bn in 2015 to $815m at the end of 2017
- Basic earnings per share increased from 3.4 cents in 2016 to 47.2 cents in 2017

### Balance sheet and capital

- Capital and liquidity ratios remain strong
  - CET1 ratio of 13.6% remains above the Group's reiterated 12-13% target range
  - Liquidity coverage ratio was 146% with a prudent surplus to regulatory requirements
- Strong and broad-based balance sheet growth in both customer loans and advances and customer deposits
- The impact of adopting IFRS 9 and implementing final Basel III reforms is considered manageable
  - Adopting IFRS 9 increases credit provisions by $1.2bn and has a negligible day-one impact on the CET1 ratio
  - Early assessment of final Basel III reforms to be implemented in 2022 is a 10-15% increase in current RWAs

### Dividend

- The Board has recommended resuming a dividend given improving financial performance and strong capital
  - Full year dividend of 11 cents per ordinary share proposed for 2017
  - Intend to increase the dividend per share over time as the Group's performance improves

### Outlook

- New medium-term Group income growth target of 5-7% CAGR with cost increases controlled below inflation
- We are encouraged by our start to 2018 with broad-based double-digit year-on-year income growth
- Operating leverage and continued focus on risks is expected to deliver RoE above 8% in the medium term

Standard Chartered PLC - Summary of results

## For the year ended 31 December 2017

| | 2017 $million | 2016 $million |
|---|---|---|
| **Underlying performance** | | |
| Operating income | 14,289 | 13,808 |
| Operating expenses | (10,120) | (9,975) |
| Impairment losses on loans and advances and other credit risk provisions | (1,200) | (2,382) |
| Other impairment | (169) | (383) |
| Profit before taxation | 3,010 | 1,093 |
| | | |
| Return on ordinary shareholders' equity (%) | 3.5 | 0.3 |
| Cost to income ratio (%) | 70.8 | 72.2 |
| | | |
| **Statutory performance** | | |
| Operating income | 14,425 | 14,060 |
| Operating expenses | (10,417) | (10,211) |
| Impairment losses on loans and advances and other credit risk provisions | (1,362) | (2,791) |
| Goodwill impairment | (320) | (166) |
| Other impairment | (179) | (446) |
| Profit before taxation | 2,415 | 409 |
| Profit/(loss) attributable to parent company shareholders | 1,219 | (247) |
| Profit/(loss) attributable to ordinary shareholders[1] | 774 | (478) |
| | | |
| Return on ordinary shareholders' equity (%) | 1.7 | (1.1) |
| Net interest margin (%) | 1.6 | 1.5 |
| Cost to income ratio (%) | 72.2 | 72.6 |
| | | |
| **Balance sheet and capital** | | |
| Total assets | 663,501 | 646,692 |
| Total equity | 51,807 | 48,658 |
| Loans and advances to customers[2] | 285,553 | 255,896 |
| Customer accounts[3] | 411,724 | 378,302 |
| Total capital | 58,758 | 57,438 |
| | | |
| Advances-to-deposits ratio (%) | 69.4 | 67.6 |
| Common Equity Tier 1 ratio (%) | 13.6 | 13.6 |
| Total capital (%) | 21.0 | 21.3 |
| UK leverage ratio (%) | 6.0 | 6.0 |
| | | |
| **Information per ordinary share** | Cents | Cents |
| Earnings per share – underlying | 47.2 | 3.4 |
| – statutory | 23.5 | (14.5) |
| Ordinary dividend per share [4] | 11.0 | - |
| Net asset value per share | 1,366.9 | 1,307.8 |
| Tangible net asset value per share | 1,214.7 | 1,163.9 |

1 Profit/(loss) attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity
2 Includes balances held at fair value through profit or loss and reverse repurchase agreements and other similar secured lending
3 Includes balances held at fair value through profit or loss and repurchase agreements and other similar secured borrowing
4 Represents the recommended full year dividend per share

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## Standard Chartered PLC - Chairman's statement

### Focused on unlocking potential while strengthening culture and resilience

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

### Unlocking the Group's potential

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

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

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

### Improving our resilience

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

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

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

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

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

### Ensuring excellent governance

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

Towards the end of the year, following the departure of Dr Kurt Campbell, Dr Ngozi Okonjo-Iweala joined us as an independent non-executive director. Ngozi has significant geopolitical, economic, risk and development experience at a government level and in international organisations. She twice served as Finance Minister in Nigeria, Africa's largest economy and one of our most significant African markets, and was part of the senior leadership of the World Bank.

I would like to take this opportunity to thank Kurt for his significant contributions to the Group, and welcome Ngozi to the Board.

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

## Embedding a culture of ethical banking

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

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

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

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

## Dividend

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

## Conclusion

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

**José Viñals**
*Group Chairman*

*27 February 2018*

## A year of progress on a path that is now clear

In 2015, we set out a strategy designed to address our performance issues and reposition our business for success. We needed to secure our foundations, become lean and focused, and continually invest and innovate. Thanks to the outstanding efforts of our 86,000 colleagues around the world, I am proud to say we are succeeding. Financial performance in 2017 has been steady rather than spectacular but has significantly improved. The trebling of underlying profits, a strong capital position and emerging regulatory clarity allows us to resume paying dividends.

Of course, we have a long way to go. We are working hard to establish income growth momentum across all our businesses, and our return on equity continues to fall short of our cost of capital. At the time of writing we are just under halfway to our initial milestone of 8 per cent underlying return on equity. Our key investment areas are growing well and we are encouraged by our start to 2018. But we are well aware that this franchise is capable of much more. I would like to update you on the work we have done so far, and set out how we intend to build upon our successes to capture our full potential.

## Securing our foundations

Our foundations have been secured. Our capital and liquidity positions are strong and our risk appetite is properly calibrated, with much greater front-line ownership. Loan impairments are at less than half the levels of recent years and we have made substantial progress on the items we set out for restructuring. Our enhanced resilience has been confirmed by our performance in the most recent Bank of England stress tests, which we passed without caveat. Despite this progress, we are not complacent and remain focused on further enhancing the risk management framework and capabilities of the Group, particularly in areas such as cyber security.

## Getting lean and focused

We are ahead of our plans to remove inefficient cost from the business. This has enabled us to increase investment significantly while remaining on track to hold overall expenses flat over the initial three years of our plan to the end of 2018.

We are also working to instil a culture of excellence across our organisation. As José Viñals noted in his Chairman's statement, we recently re-set expectations for every employee of the Group, based on three new valued behaviours: *Do the right thing, Never settle, and Better together.* Taken together these behaviours will help us to continuously challenge the way we do things, make better decisions, and hold each other accountable for delivery. They will be ingrained into every aspect of our business as we seek to put the client experience at the centre of every plan, every process, and every product offering. They will also inform our hiring policies and how we measure individual performance. We are building a truly client-centric organisation with no tolerance for complacency or mediocrity.

## Investing and innovating

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

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

## Business performance

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

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

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

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

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

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

## Group outlook

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

## Continued focus on conduct

Group-wide awareness of our collective responsibility to our clients and the communities that we serve has tangibly improved. We have developed and implemented a framework defining and identifying good conduct, and I have made it a strategic priority in 2018 for every segment and region rigorously to review, refine and strengthen our conduct environment. While incidents cannot be entirely avoided, we have no tolerance nor appetite for breaches of laws and regulations, and are determined to ensure that our employees do the right thing.

It also remains a central part of our mission to help combat financial crime. Over the course of 2017, our work has made a real impact by identifying and preventing criminal activity in the financial system. We continue to innovate, putting into place more efficient and effective tools, practices and processes that should position us among the leaders in discovering and disrupting financial crime. We take our responsibility as a leading international bank seriously and continue to invest significantly in improving standards across our markets through our correspondent banking and new NGO academies. Significantly, in 2017, the New York State Department of Financial Services recognised that the Group has made "substantial progress" towards remediating past financial crime controls issues and noted that we remain "fully committed" to finishing the job. As described in detail on page 259 in the Annual Report, we continue to cooperate with authorities in the US and the UK in their investigations of past conduct and are engaged in ongoing discussions to resolve them. Concluding these historical matters, which could have a substantial financial impact, remains a focus for us.

## The external outlook

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

## Conclusion

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

**Bill Winters**
*Group Chief Executive*

*27 February 2018*

## Significant improvement in the Group's profitability

### Performance summary

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

- Statutory profit before tax of $2.4 billion is stated after restructuring and other items of $595 million and was a significant improvement compared to the previous year. All commentary that follows is on an underlying basis unless otherwise stated and a reconciliation between statutory and underlying profit is provided in the notes to the financial statements in the Annual Report
- Underlying profit before tax of $3.0 billion was 175 per cent higher year-on-year and 71 per cent higher excluding losses in 2016 in Principal Finance
- Underlying operating income of $14.3 billion was up 3 per cent year-on-year with good momentum across a range of products partly offset by industry-wide low volatility that affected Financial Markets
- Underlying operating expenses of $9.9 billion excluding the UK bank levy were 3 per cent higher year-on-year primarily resulting from the implementation of some significant regulatory programmes and higher variable pay arising from the Group's improved financial performance
- Gross cost efficiencies were delivered ahead of plan and used to fund investments and offset inflation
- The UK bank levy of $220 million was $163 million lower after updating estimates made in previous years. The UK bank levy in 2018 is expected to be around $310 million
- Underlying impairment of loans and advances and other credit risk provisions of $1.2 billion was half the level it was in 2016 reflecting management actions to improve the quality of the Group's portfolios
- Profit from associates and joint ventures of $210 million was significantly higher than in 2016
- The Group incurred net restructuring charges of $353 million taking the total since November 2015 to $3.1 billion with the exit of Principal Finance and the remaining exposures in the liquidation portfolio left to complete
- Other items include goodwill impairment of $320 million following an increase in the discount rate applied to the Group's subsidiary in Taiwan and a $78 million net gain on the disposal of equity investments
- Changes to the US tax regime caused a reduction in the Group's deferred tax assets of $220 million. The underlying effective tax rate excluding the impact of these reforms and tax on other normalised items was 32.0 per cent
- The Group is well capitalised with a Common Equity Tier 1 (CET1) ratio of 13.6 per cent and is highly liquid. Customer loans and advances grew 12 per cent in the year, and liabilities 9 per cent
- The impact of adopting IFRS 9 on 1 January 2018 is an increase in credit provisions of $1.2 billion and, in line with the Group's previous guidance, an estimated decrease in the Group's CET1 ratio by around 15 basis points. Under transitional rules the day-one impact on the CET1 ratio is negligible
- Based on the 2017 balance sheet the Group's early assessment of the impact of final Basel III reforms to be implemented in 2022 is an increase in the Group's risk-weighted assets (RWAs) of 10-15 per cent
- The Board has recommended resuming a dividend given improving financial performance and strong capital starting with a full year dividend for 2017 of 11 cents per ordinary share. The intent is to increase the dividend per share over time as the Group's performance improves

| | 2017 $million | 2016 $million | Better/(worse) % |
|---|---|---|---|
| **Operating income** | **14,289** | 13,808 | 3 |
| Other operating expenses | **(8,599)** | (8,465) | (2) |
| Regulatory costs | **(1,301)** | (1,127) | (15) |
| UK bank levy | **(220)** | (383) | 43 |
| **Operating expenses** | **(10,120)** | (9,975) | (1) |
| **Operating profit before impairment losses and taxation** | **4,169** | 3,833 | 9 |
| Impairment losses on loans and advances and other credit risk provisions | **(1,200)** | (2,382) | 50 |
| Other impairment | **(169)** | (383) | 56 |
| Profit from associates and joint ventures | **210** | 25 | nm |
| **Underlying profit before taxation** | **3,010** | 1,093 | 175 |
| Restructuring | **(353)** | (855) | nm |
| Other items | **(242)** | 171 | nm |
| **Statutory profit before taxation** | **2,415** | 409 | nm |
| Taxation | **(1,147)** | (600) | (91) |
| **Profit/(loss) for the period** | **1,268** | (191) | nm |
| Net interest margin (%) | **1.6** | 1.5 | |
| Underlying return on equity (%) | **3.5** | 0.3 | |
| Statutory return on equity (%) | **1.7** | (1.1) | |
| Underlying earnings per share (cents) | **47.2** | 3.4 | |
| Statutory earnings/(loss) per share (cents) | **23.5** | (14.5) | |
| Dividend per share (cents) | **11** | – | |
| Common Equity Tier 1 (%) | **13.6** | 13.6 | |

## Underlying income

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

- Corporate & Institutional Banking income was flat year-on-year. Excluding losses incurred in 2016 in relation to Principal Finance, income was 3 per cent lower as the impact of low volatility in Financial Markets more than offset higher income from Transaction Banking
- Retail Banking income was 4 per cent higher year-on-year and 7 per cent higher excluding the impact of exiting Retail Banking in Thailand and the Philippines. The Group's focus on Priority clients resulted in a strong performance in Wealth Management and Deposits. This more than offset the impact of lower margins on unsecured lending to Personal clients
- Commercial Banking income was 3 per cent higher year-on-year with broad based growth in Transaction Banking, Financial Markets and Corporate Finance offsetting lower income from Lending
- Private Banking income was 1 per cent higher year-on-year and 6 per cent higher excluding an insurance recovery booked in the first quarter of 2016. This followed good growth in income from investment products that now account for around 65 per cent of total assets under management
- Income from Central & other items (segment) was 29 per cent higher year-on-year benefiting from a lower interest expense than in 2016. Gains in the first half from active interest rate management and a third quarter dividend from a strategic investment were largely offset by a hedge accounting adjustment in the fourth quarter
- Income from Greater China & North Asia was up 8 per cent year-on-year following a strong performance in Hong Kong and further improvement in Korea
- ASEAN & South Asia income was 5 per cent lower year-on-year. Excluding the impact of Retail Banking business exits, income was 2 per cent lower with improved performances in Retail Banking and Commercial Banking offset by the impact of low volatility in Financial Markets, particularly in Singapore which is a major Financial Markets hub for the region
- Income from Africa & Middle East was broadly stable year-on-year and up 3 per cent on a constant currency basis
- Europe & Americas income was 4 per cent lower year-on-year. The region's status in the Group as a hub for Financial Markets activity meant it was particularly impacted by industry-wide lower volatility. The region is a significant contributor to the Group with around one-third of Corporate & Institutional Banking income originated with clients that are based there

## Underlying expenses

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

Regulatory costs of $1.3 billion were 15 per cent higher year-on-year, reflecting the implementation of a number of significant regulatory programmes.

The UK bank levy of $220 million included a $105 million benefit in relation to changes to estimates made in previous years and as a result was $163 million lower year-on-year. The UK bank levy in 2018 is expected to be around $310 million.

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

## Underlying impairment

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

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

## Profit from associates and joint ventures

Profit from associates and joint ventures of $210 million reflected an improved performance of the Group's joint venture in Indonesia and the continuing good performance of the Group's associate investment in China.

## Profit before tax

As a consequence of the many actions taken since 2015 underlying profit before tax of $3.0 billion was 175 per cent higher year-on-year and 71 per cent higher excluding the impact of Principal Finance losses in 2016. Statutory profit before tax of $2.4 billion which is stated after restructuring and other items was $2.0 billion higher.

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

| | 2017 $million | 2016 $million | Better/(worse) % |
|---|---|---|---|
| Corporate & Institutional Banking | **1,261** | 435 | 190 |
| Retail Banking | **873** | 766 | 14 |
| Commercial Banking | **282** | (120) | nm |
| Private Banking | **(1)** | 32 | nm |
| Central & other items | **595** | (20) | nm |
| **Underlying profit before taxation** | **3,010** | 1,093 | 175% |

| | 2017 $million | 2016 $million | Better/(worse) % |
|---|---|---|---|
| Greater China & North Asia | **1,942** | 1,340 | 45 |
| ASEAN & South Asia | **492** | 629 | (22) |
| Africa & Middle East | **642** | 431 | 49 |
| Europe & Americas | **71** | (148) | nm |
| Central & other items | **(137)** | (1,159) | nm |
| **Underlying profit before taxation** | **3,010** | 1,093 | 175% |

## Group credit quality and liquidation portfolio

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

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

## Non-performing loans

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

## Credit grade 12 accounts

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

## Cover ratio

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

## Liquidation portfolio

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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Ongoing business $million | Liquidation portfolio $million | Total $million | Ongoing business $million | Liquidation portfolio $million | Total $million |
| **Impairment** | | | | | | |
| Underlying loan impairment | 1,200 | – | 1,200 | 2,382 | – | 2,382 |
| Restructuring loan impairment | 42 | 120 | 162 | – | 409 | 409 |
| Statutory loan impairment | 1,242 | 120 | 1,362 | 2,382 | 409 | 2,791 |
| **Loans and advances** | | | | | | |
| Gross loans and advances | 289,007 | 2,248 | 291,255 | 258,396 | 3,854 | 262,250 |
| Net loans and advances | 284,878 | 675 | 285,553 | 254,463 | 1,433 | 255,896 |
| **Credit quality** | | | | | | |
| Gross non-performing loans | 6,453 | 2,226 | 8,679 | 5,880 | 3,807 | 9,687 |
| Individual impairment provisions | (3,607) | (1,573) | (5,180) | (3,355) | (2,421) | (5,776) |
| Net non-performing loans | 2,846 | 653 | 3,499 | 2,525 | 1,386 | 3,911 |
| Credit grade 12 accounts[1] | 1,483 | 22 | 1,505 | 1,499 | 22 | 1,521 |
| Cover ratio (%) | 63 | 71 | 65 | 69 | 64 | 67 |
| Cover ratio after collateral (%) | 79 | 86 | 81 | 74 | 80 | 76 |
| Risk-weighted assets | 278,933 | 815 | 279,748 | 265,637 | 3,808 | 269,445 |

1 Includes Corporate & Institutional Banking and Commercial Banking

## Restructuring and other items

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

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

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Restructuring $million | Other items $million | Restructuring $million | Other items $million |
| Operating income | 58 | 78 | (85) | 337 |
| Operating expenses | (297) | – | (236) | – |
| Impairment losses on loans and advances and other credit risk provisions | (162) | – | (409) | – |
| Other impairment | (10) | (320) | (63) | (166) |
| Profit/(loss) from associates and joint ventures | 58 | – | (62) | – |
| **Profit before taxation** | (353) | (242) | (855) | 171 |

## Balance sheet and capital

### Balance sheet

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

### CET1 ratio

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

### IFRS 9

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

### Final Basel III reforms

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

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

## Summary

We have made encouraging progress transforming the Group with good momentum in key investment areas contributing to significant improvements in both underlying and statutory profits.

Competition remains strong and certain geopolitical tensions are elevated but economic conditions are improving and emerging regulatory clarity has allowed us to resume paying dividends.

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

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

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

**Andy Halford**
*Group Chief Financial Officer*

*27 February 2018*

## Standard Chartered PLC - Client segment reviews

### Underlying performance by client segment

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

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Corporate & Institutional Banking $million | Retail Banking $million | Commercial Banking $million | Private Banking $million | Central & other items $million | Total $million |
| Transaction Banking | 2,564 | 18 | 747 | – | – | 3,329 |
| Trade | 793 | 18 | 386 | – | – | 1,197 |
| Cash Management and Custody | 1,771 | – | 361 | – | – | 2,132 |
| Financial Markets | 2,266 | – | 278 | – | – | 2,544 |
| Foreign Exchange | 779 | – | 164 | – | – | 943 |
| Rates | 503 | – | 32 | – | – | 535 |
| Commodities | 136 | – | 21 | – | – | 157 |
| Credit and Capital Markets | 365 | – | 11 | – | – | 376 |
| Capital Structuring Distribution Group | 254 | – | 25 | – | – | 279 |
| Other Financial Markets | 229 | – | 25 | – | – | 254 |
| Corporate Finance | 1,390 | – | 86 | – | – | 1,476 |
| Lending and Portfolio Management | 284 | – | 212 | – | – | 496 |
| Principal Finance | – | – | – | – | – | – |
| Wealth Management | – | 1,438 | 4 | 299 | – | 1,741 |
| Retail Products | – | 3,376 | 6 | 201 | – | 3,583 |
| CCPL and other unsecured lending | – | 1,366 | 1 | – | – | 1,367 |
| Deposits | – | 1,245 | 6 | 168 | – | 1,419 |
| Mortgage and Auto | – | 692 | – | 32 | – | 724 |
| Other Retail Products | – | 73 | (1) | 1 | – | 73 |
| Treasury | – | – | – | – | 1,143 | 1,143 |
| Other | (8) | 2 | – | – | (17) | (23) |
| Total underlying operating income | 6,496 | 4,834 | 1,333 | 500 | 1,126 | 14,289 |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Corporate & Institutional Banking $million | Retail Banking $million | Commercial Banking $million | Private Banking $million | Central & other items $million | Total $million |
| Transaction Banking | 2,168 | 12 | 703 | 1 | – | 2,884 |
| Trade | 787 | 12 | 399 | 1 | – | 1,199 |
| Cash Management and Custody | 1,381 | – | 304 | – | – | 1,685 |
| Financial Markets | 2,771 | – | 263 | – | – | 3,034 |
| Foreign Exchange | 973 | – | 177 | – | – | 1,150 |
| Rates | 659 | – | 18 | – | – | 677 |
| Commodities | 168 | – | 22 | – | – | 190 |
| Credit and Capital Markets | 359 | – | 5 | – | – | 364 |
| Capital Structuring Distribution Group[1] | 285 | – | 20 | – | – | 305 |
| Other Financial Markets | 327 | – | 21 | – | – | 348 |
| Corporate Finance[1,2] | 1,394 | – | 77 | – | – | 1,471 |
| Lending and Portfolio Management | 358 | – | 239 | – | – | 597 |
| Principal Finance | (219) | – | 2 | – | – | (217) |
| Wealth Management | – | 1,199 | 4 | 280 | – | 1,483 |
| Retail Products | – | 3,458 | 7 | 193 | – | 3,658 |
| CCPL and other unsecured lending | – | 1,556 | – | 1 | – | 1,557 |
| Deposits | – | 1,124 | 7 | 156 | – | 1,287 |
| Mortgage and Auto | – | 703 | – | 36 | – | 739 |
| Other Retail Products | – | 75 | – | – | – | 75 |
| Treasury[3] | – | – | – | – | 900 | 900 |
| Other[3] | – | – | – | 22 | (24) | (2) |
| Total underlying operating income | 6,472 | 4,669 | 1,295 | 496 | 876 | 13,808 |

1 The Group has established a Capital Structuring and Distribution Group to sharpen the focus on asset distribution that has resulted in some income being reclassified from Corporate Finance into Financial Markets. 2016 has been restated

2 Certain non-specialised lending exposures which were previously reported under Corporate Finance are now reflected under Lending and Portfolio Management. 2016 has been restated

3 Treasury income comprises items previously reported under Asset and Liability Management and Treasury-related aspects of Other income. This reflects the reorganisation of the Group's balance sheet, liquidity, and capital management activities such that they are now managed within one Treasury function. 2016 has been restated

## Standard Chartered PLC - Client segment reviews

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Corporate & Institutional Banking $million | Retail Banking $million | Commercial Banking $million | Private Banking $million | Central & other items $million | Total $million |
| **Operating income** | 6,496 | 4,834 | 1,333 | 500 | 1,126 | 14,289 |
| **Operating expenses** | (4,409) | (3,585) | (881) | (500) | (745) | (10,120) |
| **Operating profit before impairment losses and taxation** | 2,087 | 1,249 | 452 | – | 381 | 4,169 |
| Impairment (losses)/release on loans and advances and other credit risk provisions | (658) | (375) | (167) | (1) | 1 | (1,200) |
| Other impairment | (168) | (1) | (3) | – | 3 | (169) |
| Profit from associates and joint ventures | – | – | – | – | 210 | 210 |
| **Underlying profit/(loss) before taxation** | 1,261 | 873 | 282 | (1) | 595 | 3,010 |
| Restructuring | (275) | (19) | (13) | (15) | (31) | (353) |
| Net gains on businesses disposed/held for sale | – | – | – | – | 78 | 78 |
| Goodwill impairment | – | – | – | – | (320) | (320) |
| **Statutory profit/(loss) before taxation** | 986 | 854 | 269 | (16) | 322 | 2,415 |
| Total assets | 293,296 | 104,988 | 31,750 | 13,616 | 219,851 | 663,501 |
| Of which: loans and advances to customers | 131,700 | 102,823 | 28,208 | 13,498 | 9,324 | 285,553 |
| Total liabilities | 353,582 | 132,819 | 36,385 | 22,203 | 66,705 | 611,694 |
| Of which: customer accounts | 222,714 | 129,536 | 33,880 | 22,222 | 3,372 | 411,724 |
| Risk-weighted assets (unaudited) | 147,102 | 44,106 | 33,068 | 5,943 | 49,529 | 279,748 |
| Underlying return on risk-weighted assets (unaudited) | 0.9% | 2.0% | 0.9% | 0.0% | 1.2% | 1.1% |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Corporate & Institutional Banking $million | Retail Banking $million | Commercial Banking $million | Private Banking $million | Central & other items $million | Total $million |
| **Operating income** | 6,472 | 4,669 | 1,295 | 496 | 876 | 13,808 |
| **Operating expenses** | (4,268) | (3,413) | (929) | (463) | (902) | (9,975) |
| **Operating profit/(loss) before impairment losses and taxation** | 2,204 | 1,256 | 366 | 33 | (26) | 3,833 |
| 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 |
| **Underlying profit/(loss) before taxation** | 435 | 766 | (120) | 32 | (20) | 1,093 |
| Restructuring | (459) | (47) | (26) | (73) | (250) | (855) |
| Net gains on businesses disposed/held for sale | – | – | – | – | 253 | 253 |
| Goodwill impairment | – | – | – | – | (166) | (166) |
| Gains arising on repurchase of subordinated liabilities | – | – | – | – | 84 | 84 |
| **Statutory (loss)/profit before taxation** | (24) | 719 | (146) | (41) | (99) | 409 |
| Total assets | 289,183 | 96,834 | 27,151 | 11,974 | 221,550 | 646,692 |
| Of which: loans and advances to customers | 122,231 | 93,488 | 24,013 | 11,908 | 4,256 | 255,896 |
| Total liabilities | 347,865 | 121,015 | 35,576 | 21,840 | 71,738 | 598,034 |
| 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% |

## Corporate & Institutional Banking

### Segment overview

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

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

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

### Strategic priorities

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

### Progress

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

### Performance highlights

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

# Retail Banking

## Segment overview

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

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

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

## Strategic priorities

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

## Progress

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

## Performance highlights

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

## Commercial Banking

### Segment overview

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

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

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

### Strategic priorities

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

### Progress

- Improved client experience materially, with client satisfaction as measured by our annual 'client intelligence survey' having improved meaningfully year-on-year
- On-boarded over 4,500 new-to-bank clients in the year, of which 830 came from our clients' international and domestic networks of buyers and suppliers
- Significantly strengthened the foundations in credit risk management through a series of actions which resulted in lower loan impairments in 2017

### Performance highlights

- Returned Commercial Banking to profitability, with an underlying profit before taxation of $282 million reflecting significantly lower impairment, reduced expenses and higher income
- Underlying income of $1,333 million was up 3 per cent year-on-year, driven by positive momentum across regions, with income up 5 per cent in ASEAN & South Asia, up 2 per cent in Africa & Middle East, and up 1 per cent in Greater China & North Asia, led by Cash Management and Financial Markets products
- Strong balance sheet growth, with loans and advances to customers up 17 per cent year-on-year and customer accounts up 4 per cent
- The difference of $13 million between statutory and underlying profit represents restructuring costs

## Private Banking

### Segment overview

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

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

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

### Strategic priorities

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

### Progress

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

### Performance highlights

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

## Underlying performance by region

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Greater China & North Asia $million | ASEAN & South Asia $million | Africa & Middle East $million | Europe & Americas $million | Central & other items $million | Total $million |
| **Operating income** | 5,616 | 3,833 | 2,764 | 1,601 | 475 | 14,289 |
| **Operating expenses** | (3,681) | (2,654) | (1,819) | (1,407) | (559) | (10,120) |
| **Operating profit/(loss) before impairment losses and taxation** | 1,935 | 1,179 | 945 | 194 | (84) | 4,169 |
| Impairment (losses)/release on loans and advances | (141) | (653) | (300) | (107) | 1 | (1,200) |
| Other impairment | (81) | (12) | (3) | (16) | (57) | (169) |
| Profit/(loss) from associates and joint ventures | 229 | (22) | – | – | 3 | 210 |
| **Underlying profit/(loss) before taxation** | 1,942 | 492 | 642 | 71 | (137) | 3,010 |
| Restructuring | 35 | (161) | (33) | (25) | (169) | (353) |
| Net gains on businesses disposed/held for sale | – | 19 | – | – | 59 | 78 |
| Goodwill impairment | – | – | – | – | (320) | (320) |
| **Statutory profit/(loss) before taxation** | 1,977 | 350 | 609 | 46 | (567) | 2,415 |
| **Net interest margin** | 1.4% | 1.9% | 3.3% | 0.5% | 0.0% | 1.6% |
| Total assets | 257,692 | 148,467 | 59,166 | 185,345 | 12,831 | 663,501 |
| Of which: loans and advances to customers | 126,739 | 82,579 | 29,602 | 46,633 | – | 285,553 |
| Total liabilities | 228,093 | 128,165 | 39,413 | 177,525 | 38,498 | 611,694 |
| Of which: customer accounts | 186,517 | 95,310 | 31,797 | 98,100 | – | 411,724 |
| Risk-weighted assets (unaudited) | 84,593 | 96,733 | 56,437 | 44,735 | (2,750) | 279,748 |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Greater China & North Asia $million | ASEAN & South Asia $million | Africa & Middle East $million | Europe & Americas $million | Central & other items $million | Total $million |
| **Operating income** | 5,190 | 4,052 | 2,742 | 1,664 | 160 | 13,808 |
| **Operating expenses** | (3,546) | (2,518) | (1,730) | (1,302) | (879) | (9,975) |
| **Operating profit/(loss) before impairment losses and taxation** | 1,644 | 1,534 | 1,012 | 362 | (719) | 3,833 |
| 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 |
| **Underlying profit/(loss) before taxation** | 1,340 | 629 | 431 | (148) | (1,159) | 1,093 |
| 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 |
| **Statutory profit/(loss) before taxation** | 1,456 | 186 | 349 | (261) | (1,321) | 409 |
| **Net interest margins** | 1.3% | 2.0% | 3.2% | 0.5% | 0.0% | 1.5% |
| Total assets | 239,740 | 143,704 | 56,980 | 195,937 | 10,331 | 646,692 |
| Of which: loans and advances to customers | 110,533 | 73,161 | 28,140 | 44,062 | – | 255,896 |
| Total liabilities | 210,795 | 126,701 | 38,020 | 181,639 | 40,879 | 598,034 |
| 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 |

## Greater China & North Asia

### Region overview

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

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

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

### Strategic priorities

- Leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients
- Capture opportunities arising from China's opening, including renminbi, Belt and Road Initiative, onshore capital markets and mainland wealth, as well as in digital capabilities
- Strengthen market position in Hong Kong, and improve Retail Banking performance in China and Korea

### Progress

- Added overseas China desks across the Group's footprint, helping to grow income and increase the number of Belt and Road Initiative projects we were involved in by over 25 per cent
- Strong progress in Retail Banking in Hong Kong, adding more than 43,300 new-to-bank Priority clients through alliances such as Asia Miles and our enhanced digital on-boarding platform
- Both Retail Banking in China and Korea have seen a significant improvement in performance, driven by cost efficiencies and focused client acquisition

### Performance highlights

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

## ASEAN & South Asia

### Region overview

The Group has a long-standing and deep franchise across the ASEAN & South Asia region. We are the only international bank with a presence in all 10 ASEAN countries and we also have meaningful operations in all key South Asian markets. Our two largest markets in the region by income are Singapore and India, where we have had a deep-rooted presence for over 150 years.

The region contributes over a quarter of the Group's income. Within the region, Singapore is home to the majority of our global business leadership and our technology organisation as well as SC Ventures, our innovation hub.

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

### Strategic priorities

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

### Progress

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

### Performance highlights

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

## Africa & Middle East

### Region overview

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

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

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

### Strategic priorities

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

### Progress

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

### Performance highlights

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

## Europe & Americas

### Region overview

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

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

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

### Strategic priorities

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

### Progress

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

### Performance highlights

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

## A refreshed approach to managing risk

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

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

## An update on our key risk priorities

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

- **Strengthen the Group's risk culture** – We have made good progress on embedding a strong risk culture and increased focus on frontline ownership of risk, alongside further development of our Enterprise Risk Management Framework. This facilitates more dynamic risk identification and enables us to establish a clear linkage between strategic decision-making and risk management, as well as identifying and managing correlations across risk types
- **Manage and improve information and cyber security** – High profile security breaches have been a recurring focus in the media headlines and among regulators throughout 2017. We are placing even greater emphasis on improving our defences, creating stronger control frameworks, and expanding intelligence sharing efforts to keep pace with the evolving threats in cyberspace. The Group's deepening network of external partnerships strengthen our own intelligence efforts as well as those across the broader financial services sector. The Group is a founding member of the Cyber Defence Alliance, an external organisation which facilitates information sharing with UK banks and law enforcement; a board member of the Financial Services – Information Sharing & Analysis Center; and a member of the National Cyber-Forensics & Training Alliance, for real-time information sharing and analysis. The Group also operates a Collective Intelligence & Command Centre to coordinate physical and cyber security responses to incidents
- **Enhance the compliance management framework** - We have enhanced our compliance systems and controls, and improved the capability of our compliance resources. We have embedded ownership and responsibility for conduct across our geographic footprint, businesses and functions in a systematic and sustainable manner. We have strengthened our efforts to promote awareness of, and confidence in the Speaking Up Programme including extending our Speaking Up channels to the public. Further details on the Group's Speaking Up Programme can be found in the Annual Report
- **Manage financial crime risks** – We are committed to playing our part in the fight against financial crime. We continued to enhance our controls, systems and processes in 2017 as well as continuing to educate and engage all of our people on financial crime risk and the human and social harm of such crimes. The financial crime landscape continues to evolve, and we recognise the need to be vigilant against new and transforming threats as well as adapting to changes in relevant regulation and sanctions regimes. In 2017 we built a dedicated Cyber Financial Intelligence team in the US, and continued our Correspondent Banking Academy initiative across all of the regions in which we operate. This programme seeks to support our clients in enhancing their financial crime controls, and share international best practices and learning materials. In October 2017 we also held our first Financial Crime Risk Management Academy for non-government organisations as part of our 'De-risking through education' initiative. Our collaborative approach enables us to continue providing services which are vital to the world economy in a safe and sound way. More information about the Group's commitment to fighting financial crime can be found at sc.com/fightingfinancialcrime
- **Improve the risk and compliance infrastructure** – The Group has multiple initiatives underway to improve infrastructure for compliance risk management, exposure management, data quality, stress testing, operational risk management and reporting. We have also worked to streamline and simplify our processes to serve clients better and drive internal efficiencies

## Our risk profile and performance in 2017

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

We have seen a significant decrease in loan impairment across all businesses, with overall loan impairment down 51 per cent to $1.4 billion in the last 12 months.

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

We continue to focus on early identification of emerging risks so that we can manage any areas of weakness on a proactive basis.

The cover ratio of NPLs in the ongoing business reduced from 69 per cent to 63 per cent, and including collateral improved to 79 per cent from 74 per cent.

Global financial markets experienced low volatility and average Group VaR was 19 per cent lower than the previous year at $26 million (2016: $32 million). The largest operational risk loss recognised as at 31 December 2017 relates to the Group's $17.2 million settlement of a United States class action brought against a number of banks concerning foreign exchange benchmark rates.

Further details of the 2017 risk performance can be found in the Annual Report.

## An update to our risk management approach

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

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

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

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

Further details on Principal Risks can be found in the Annual Report.

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

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

## Principal uncertainties

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

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

| Principal uncertainties[1] | Risk trend since 2016 | How these are mitigated/next steps |
|---|---|---|
| **Geopolitical events, in particular: increase in trade protectionism, Korean peninsula geopolitical tensions, the Middle East political situation and post-Brexit implications** | ⇧ | We continuously monitor and assess geopolitical events and, where appropriate, manage the impact to the Group and our clients.<br>We conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible geopolitical events. |
| **Macroeconomic conditions, in particular: moderation of growth in key footprint markets led by China and sharp interest rate rises and asset corrections** | ⇔ | We have a Business Risk Horizon framework that provides a 12-to-18 month forward view of the economic, business and credit conditions across our key markets, enabling us to take proactive action.<br>We monitor economic trends and conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible events. |
| **Climate-related physical risks and transition risks[2]** | NEW | We are developing an approach for assessing energy utilities clients' power generation assets against a range of physical and transition risks, under multiple climate scenarios and a range of time horizons. We are considering how we extend this to other sectors in 2018.<br>We have made a public commitment to fund and facilitate $4 billion toward clean technology between 2016 and 2020. |
| **Regulatory reviews and investigations, legal proceedings** | ⇔ | We have invested in improving compliance controls, including increasing the capacity and capability of compliance resources, enhancing systems and controls, and implementing remediation programmes (where relevant).<br>We are cooperating with all relevant ongoing reviews, requests for information and investigations and we actively manage legal proceedings, including in respect of legacy issues. |
| **Regulatory changes and tax reforms** | ⇔ | We monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model.<br>We have established specific regulatory programmes to ensure effective and efficient implementation of changes required by new, or changes in existing, regulations. |
| **New technologies and digitisation** | NEW | We continuously monitor developments in the technology space affecting the banking sector and the Group Management Team is exploring in more depth our approach to innovation.<br>We are engaged in a series of initiatives with the aim of building our capabilities to ensure we remain relevant in a position to capitalise rapidly on technology trends. |

⇧ Risk heightened in 2017 ⇔ Risk remained consistent with 2016 levels

1 Principal uncertainties refer to unpredictable and uncontrollable outcomes from certain events and circumstances which may have the potential to impact our business materially.

2 Physical risks refer to the risk of increased extreme weather events while transition risks refer to the risk of changes to market dynamics due to governments' response to climate change

Cyber risk now forms part of our Principal Risk Types which we control and mitigate through distinct risk type frameworks, policies and risk appetite. Further details on Principal uncertainties, including key changes in respect of 2016, can be found in the Annual Report.

## Conclusion

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

**Mark Smith**
*Group Chief Risk Officer*

*27 February 2018*

## Five year summary

| | 2017 $million | 2016 $million | 2015 $million | 2014 $million | 2013 $million |
|---|---|---|---|---|---|
| Operating profit before impairment losses and taxation | **4,008** | 3,849 | 4,116 | 7,289 | 8,584 |
| Impairment losses on loans and advances and other credit risk provisions | **(1,362)** | (2,791) | (4,976) | (2,141) | (1,617) |
| Other impairment | **(179)** | (612) | (855) | (1,161) | (1,129) |
| Profit/(loss) before taxation | **2,415** | 409 | (1,523) | 4,235 | 6,064 |
| Profit/(loss) attributable to shareholders | **1,219** | (247) | (2,194) | 2,613 | 4,090 |
| Loans and advances to banks[1] | **57,494** | 72,609 | 64,494 | 83,890 | 83,702 |
| Loans and advances to customers[1] | **248,707** | 252,719 | 257,356 | 284,695 | 290,708 |
| Total assets | **663,501** | 646,692 | 640,483 | 725,914 | 674,380 |
| Deposits by banks[1] | **30,945** | 36,894 | 37,611 | 54,391 | 43,517 |
| Customer accounts[1] | **370,509** | 371,855 | 350,633 | 405,353 | 381,066 |
| Shareholders' equity | **46,505** | 44,368 | 46,204 | 46,432 | 46,246 |
| Total capital resources[2] | **68,983** | 68,181 | 70,364 | 69,685 | 67,238 |
| **Information per ordinary share** | | | | | |
| Basic earnings/(loss) per share | **23.5c** | (14.5)c | (91.9)c | 97.3c | 156.5c |
| Underlying earnings/(loss) per share | **47.2c** | 3.4c | (6.6)c | 138.9c | 194.2 |
| Dividends per share | **11.0c[5]** | – | 13.7c | 81.9c | 81.9c |
| Net asset value per share | **1,366.9c** | 1,307.8c | 1,366.0c | 1,833.9c | 1,872.8c |
| Net tangible asset value per share | **1,214.7c** | 1,163.9c | 1,244.1c | 1,610.9c | 1,597.6c |
| Return on assets[3] | **0.2%** | 0.0% | (0.3)% | 0.4% | 0.6% |
| **Ratios** | | | | | |
| Statutory return on ordinary shareholders' equity | **1.7%** | (1.1)% | (5.3)% | 5.5% | 9.0% |
| Underlying return on ordinary shareholders' equity | **3.5%** | 0.3% | (0.4)% | 7.8% | 11.2% |
| Statutory cost to income ratio | **72.2%** | 72.6% | 73.1% | 60.2% | 54.3% |
| Underlying cost to income ratio | **70.8%** | 72.2% | 67.8% | 58.9% | 54.4% |
| Capital ratios: | | | | | |
| (CET1)/ Tier 1 capital[4] | **13.6%** | 13.6% | 12.6% | 10.5% | 10.9% |
| Total capital[4] | **21.0%** | 21.3% | 19.5% | 16.7% | 17.0% |

1 Excludes amounts held at fair value through profit or loss
2 Shareholders' funds, non-controlling interests and subordinated loan capital
3 Represents profit attributable to shareholders divided by the total assets of the Group
4 Unaudited
5 Represents the recommended full year dividend per share for 2017

## 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. Refer to the notes to the financial statements in the Annual Report for details.

| | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong $million | Korea $million | China $million | Singapore $million | India $million | UAE $million | UK $million | US $million |
| Operating income | 3,384 | 967 | 707 | 1,419 | 1,008 | 733 | 747 | 675 |
| Operating expenses | (1,872) | (777) | (652) | (1,016) | (658) | (524) | (612) | (641) |
| Operating profit before impairment losses and taxation | 1,512 | 190 | 55 | 403 | 350 | 209 | 135 | 34 |
| Impairment losses on loans and advances and other credit risk provisions | (48) | (53) | (17) | (218) | (251) | (94) | (50) | (57) |
| Other impairment | (78) | (3) | – | – | (3) | – | (14) | (2) |
| Profit from associates and joint ventures | – | – | 229 | – | – | – | – | – |
| Underlying profit/(loss) before taxation | 1,386 | 134 | 267 | 185 | 96 | 115 | 71 | (25) |
| Total assets employed | 140,431 | 51,822 | 33,243 | 86,431 | 26,315 | 20,268 | 119,272 | 45,338 |
| Of which: Loans to customers | 67,292 | 34,891 | 12,899 | 45,495 | 16,515 | 11,328 | 34,694 | 10,092 |
| Total liabilities employed | 128,577 | 45,966 | 28,151 | 84,288 | 17,614 | 15,142 | 128,270 | 39,646 |
| Of which: Customer accounts | 108,352 | 36,213 | 21,854 | 59,905 | 14,141 | 11,692 | 80,972 | 11,831 |

| | 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong $million | Korea $million | China $million | Singapore $million | India $million | UAE $million | UK $million | US $million |
| Operating income | 3,138 | 881 | 696 | 1,489 | 960 | 754 | 791 | 661 |
| Operating expenses | (1,789) | (761) | (647) | (967) | (569) | (513) | (496) | (658) |
| Operating profit before impairment losses and taxation | 1,349 | 120 | 49 | 522 | 391 | 241 | 295 | 3 |
| 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 | – | – | – | – | – |
| Underlying profit/(loss) before taxation | 1,111 | 35 | 108 | 416 | (24) | (31) | (115) | (76) |
| Total assets employed | 137,239 | 43,917 | 26,540 | 83,853 | 24,729 | 20,776 | 122,779 | 47,609 |
| Of which: Loans to customers | 60,866 | 28,637 | 10,182 | 39,141 | 14,974 | 10,951 | 29,996 | 12,184 |
| Total liabilities employed | 125,697 | 37,548 | 24,460 | 85,198 | 15,321 | 14,622 | 119,111 | 53,356 |
| Of which: Customer accounts | 102,409 | 28,964 | 19,920 | 57,290 | 11,860 | 10,721 | 57,575 | 27,464 |

## Average balance sheets and yields and volume and price variances

### 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 2017 and 31 December 2016. 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.

| | 2017 | | | |
|---|---|---|---|---|
| | Average non-interest earning balance $million | Average interest earning balance $million | Interest income $million | Gross yield % |
| **Assets** | | | | |
| Cash and balances at central banks | 37,194 | 37,539 | 287 | 0.8 |
| Gross loans and advances to banks | 5,483 | 82,743 | 1,955 | 2.4 |
| Gross loans and advances to customers | – | 282,912 | 8,928 | 3.2 |
| Impairment provisions against loans and advances to banks and customers | – | (6,342) | – | – |
| Investment securities | 2,450 | 130,839 | 3,265 | 2.5 |
| Property, plant and equipment and intangible assets | 9,916 | – | – | – |
| Prepayments, accrued income and other assets | 85,978 | – | – | – |
| Total average assets | 141,021 | 527,691 | 14,435 | 2.7 |

| | 2016 | | | |
|---|---|---|---|---|
| | Average non-interest earning balance $million | Average interest earning balance $million | Interest income $million | Gross yield % |
| **Assets** | | | | |
| 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 | – | – | – |
| Total average assets | 135,974 | 508,656 | 13,010 | 2.6 |

| | 2017 | | | |
|---|---|---|---|---|
| | Average non-interest bearing balance $million | Average interest bearing balance $million | Interest expense $million | Rate paid % |
| **Liabilities** | | | | |
| Deposits by banks | 6,696 | 41,565 | 891 | 2.1 |
| Customer accounts: | | | | |
| Current accounts and savings deposits | 36,070 | 165,300 | 1,063 | 0.6 |
| Time and other deposits | 8,096 | 199,426 | 2,796 | 1.4 |
| Debt securities in issue | 581 | 51,914 | 756 | 1.5 |
| Accruals, deferred income and other liabilities | 84,881 | 22 | – | – |
| Subordinated liabilities and other borrowed funds | 841 | 17,205 | 748 | 4.3 |
| Non-controlling interests | 73 | – | – | – |
| Shareholders' funds | 49,903 | – | – | – |
| Total average liabilities and shareholders' funds | 187,141 | 475,432 | 6,254 | 1.3 |
| Net yield | | | | 1.4 |
| Net interest margin | | | | 1.6 |

| | 2016 | | | |
|---|---|---|---|---|
| | Average non-interest bearing balance $million | Average interest bearing balance $million | Interest expense $million | Rate paid % |
| **Liabilities** | | | | |
| 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 |

## 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.

| | 2017 versus 2016 | | |
|---|---|---|---|
| | (Decrease)/increase in interest due to: | | Net (decrease)/ increase in interest |
| | Volume $million | Rate $million | $million |
| **Interest earning assets** | | | |
| Cash and unrestricted balances at central banks | (52) | 126 | 74 |
| Loans and advances to banks | 129 | 544 | 673 |
| Loans and advances to customers | 485 | (306) | 179 |
| Investment securities | 112 | 387 | 499 |
| Total interest earning assets | 674 | 751 | 1,425 |
| **Interest bearing liabilities** | | | |
| Subordinated liabilities and other borrowed funds | (131) | 44 | (87) |
| Deposits by banks | (13) | 410 | 397 |
| Customer accounts: | | | |
| Current accounts and savings deposits | 121 | 90 | 211 |
| Time and other deposits | 272 | 189 | 461 |
| Debt securities in issue | (142) | 198 | 56 |
| Total interest bearing liabilities | 107 | 931 | 1,038 |

| | 2016 versus 2015 | | |
|---|---|---|---|
| | (Decrease)/increase in interest due to: | | Net (decrease)/ increase in interest |
| | Volume $million | Rate $million | $million |
| **Interest earning assets** | | | |
| 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) |
| **Interest bearing liabilities** | | | |
| 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 |

## Dividend and interest payment dates

| Ordinary shares | Final dividend |
|---|---|
| Results and dividend announced | 27 February 2018 |
| Ex dividend date | 8 March (UK) 7 March (HK) 2018 |
| Record date for dividend | 9 March 2018 |
| Last date to elect for share dividend or to change standing instructions | 19 April 2018 |
| Dividend payment date | 17 May 2018 |

| Preference shares | 1st half yearly dividend | 2nd half yearly dividend |
|---|---|---|
| $7\frac{3}{8}$ per cent Non-cumulative irredeemable preference shares of £1 each | 1 April 2018 | 1 October 2018 |
| $8\frac{1}{4}$ per cent Non-cumulative irredeemable preference shares of £1 each | 1 April 2018 | 1 October 2018 |
| 6.409 per cent Non-cumulative redeemable preference shares of $5 each | 30 January 2018 | 30 July 2018 |
| 7.014 per cent Non-cumulative redeemable preference shares of $5 each | 30 January 2018 | 30 July 2018 |

## Annual General Meeting

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

| Date and time | Location |
|---|---|
| Wednesday 9 May 2018<br>11.00am London time<br>(6.00pm Hong Kong time) | etc. venues<br>200 Aldersgate<br>St Paul's<br>London EC1A 4HD |

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

## Interim results

The interim results will be announced to the London Stock Exchange, The Stock Exchange of Hong Kong Limited, BSE Limited (Bombay Stock Exchange) and the National Stock Exchange of India Limited 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 2017, on or before 31 December 2018. We have also published our approach to tax and tax policy.

## 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 PLC 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.

## 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/INR0.9841241 | £17.394/$27.190 |
| Final 2010 | 11 May 2011 | 46.65c/28.272513p/HK$3.623404/INR1.99751701 | £15.994/$25.649 |
| Interim 2011 | 7 October 2011 | 24.75c/15.81958125p/HK$1.928909813/INR1.137971251 | £14.127/$23.140 |
| Final 2011 | 15 May 2012 | 51.25c/31.63032125p/HK$3.9776083375/INR2.66670151 | £15.723/$24.634 |
| Interim 2012 | 11 October 2012 | 27.23c/16.799630190p/HK$2.111362463/INR1.3498039501 | £13.417/$21.041 |
| Final 2012 | 14 May 2013 | 56.77c/36.5649893p/HK$4.4048756997/INR2.9762835751 | £17.40/$26.28792 |
| Interim 2013 | 17 October 2013 | 28.80c/17.8880256p/HK$2.233204992/INR1.68131 | £15.362/$24.07379 |
| Final 2013 | 14 May 2014 | 57.20c/33.9211444p/HK$4.43464736/INR3.3546261 | £11.949$19.815 |
| Interim 2014 | 20 October 2014 | 28.80c/17.891107200p/HK$2.2340016000/INR1.6718425601 | £12.151/$20.207 |
| Final 2014 | 14 May 2015 | 57.20c/37.16485p/HK$4.43329/INR3.5140591 | £9.797/$14.374 |
| Interim 2015 | 19 October 2015 | 14.40c/9.3979152p/HK$1.115985456/INR0.861393721 | £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 |
| Interim 2017 | No dividend declared | N/A | N/A |

1. The INR dividend is per Indian Depository Receipt

### 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.

### Bankers' Automated Clearing System (BACS)

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

### 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 6ZZ 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.

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 2017 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.

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: 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.

This information will be available on the Group’s website at sc.com

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

If you would like to receive more information, please visit our website at investors.sc.com/shareholder or contact the shareholder helpline on 0370 702 0138.

Further information can be obtained from the Company’s registrars or from ShareGift on 020 7930 3737 or from sharegift.org

Please register online at investorcentre.co.uk or contact our registrar for a mandate form

You can check your shareholding at computershare.com/hk/investors