Standard Chartered is a leading international banking group

Our heritage and values are expressed in our brand promise, Here for good. Our operations reflect our purpose, which is to drive commerce and prosperity through our unique diversity.

We offer banking services that help people and companies prosper across Asia, Africa, Europe, the Americas and the Middle East.

Contents

About this report

Sustainability reporting

We adopt an integrated approach to corporate reporting, embedding non-financial information throughout our Annual Report. More information is also available in our Sustainability Summary at sc.com/sustainabilitysummary

Alternative performance measures

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

For more information please visit sc.com

Further information is available where you see these icons:

Additional information can be found within the report

More information is available online

@StanChart

linkedin.com/company/standard-chartered-bank

facebook.com/standardchartered

Belt & Road Relay

The photographs on the cover of this Annual Report were taken during our Belt & Road Relay, which took place over 90 days from February 2019. Eight employees, representing our four regions, ran across 44 markets in the world's first global running event of its kind. Read more on page 58.

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

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

Unless the context requires, within this document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea. Greater China & North Asia (GCNA) includes Mainland China, Hong Kong, Japan, Korea, Macau and Taiwan; ASEAN & South Asia (ASA) includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand and Vietnam; and Africa & Middle East (AME) includes Angola, Bahrain, Botswana, Cameroon, Cote d'Ivoire, Egypt, The Gambia, Ghana, Iraq, Jordan, Kenya, Lebanon, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sierra Leone, South Africa, Tanzania, the United Arab Emirates (UAE), Uganda, Zambia and Zimbabwe.

Within the tables in this report, blank spaces indicate that the number is not disclosed, dashes indicate that the number is zero and nm stands for not meaningful.

Standard Chartered PLC is incorporated in England and Wales with limited liability, and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC. stock codes are: HKSE 02888; LSE STAN.LN; and BSE/NSE STAN.IN.

Delivering our strategy

We have continued to execute our refreshed strategic priorities, which were announced in February 2019. We have made good progress in the year and we are on track to deliver our objectives. We gauge our annual progress against a set of Group key performance indicators (KPIs), a selection of which are shown below, as well as client segment KPIs, some of which are shown on pages 22 to 25. Our Group KPIs include non financial measures reflecting our continued commitment to integrate sustainability across our business by focusing on sustainable finance, being a responsible company and promoting inclusive communities. Our 11 Sustainability Aspirations, aligned to the UN Sustainable Development Goals, provide tangible targets to drive sustainable business outcomes.

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

Clients **Regulators & governments** **Investors** **Suppliers** **Society** **Employees**

Read more on page 17 and 43-56

FINANCIAL KPIs

Return on tangible equity

6.4% ↑ 130bps
Underlying basis

4.8% ↑ 320bps
Statutory basis

Read more on page 7

Common Equity Tier 1 ratio

13.8% ↓ 39bps
Within our 13-14% range

Read more on page 7

Total shareholder return

20.2% ↑

Read more on page 7

NON-FINANCIAL KPIs

Diversity and inclusion: women in senior roles

28.5% ↑ 0.8%

Read more on page 48

Sustainability Aspirations met or on track

93.1% ↑ +2%

Read more on page 43

OTHER FINANCIAL MEASURES

Operating income

$15,271m ↑ 2%
Underlying basis

$15,417m ↑ 4%
Statutory basis

Read more on page 30

Profit before tax

$4,172m ↑ 8%
Underlying basis

$3,713m ↑ 46%
Statutory basis

Read more on page 30

Earnings per share

75.7 cents ↑ 14.3 cents
Underlying basis

57.0 cents ↑ 38.3 cents
Statutory basis

Read more on page 30

Who we are and what we do

At Standard Chartered our purpose is to drive commerce and prosperity through our unique diversity. Our businesses serve four client segments in four regions, supported by nine global functions.

How we are organised

OUR CLIENT SEGMENTS

GLOBAL

Corporate & Institutional Banking

Serving over 5,000 large corporations, governments, banks and investors.

Operating income

$7,185m Underlying basis

$7,331m Statutory basis

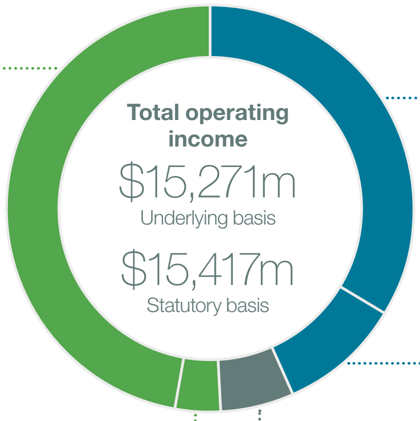
Private Banking

Helping over 7,500 clients grow and protect their wealth.

Operating income

$577m Underlying basis

$577m Statutory basis



LOCAL

Retail Banking

Serving over nine million individuals and small businesses.

Operating income

$5,171m Underlying basis

$5,171m Statutory basis

Commercial Banking

Supporting over 45,000 local corporations and medium sized enterprises across Asia, Africa and the Middle East.

Operating income

$1,478m Underlying basis

$1,482m Statutory basis

Central & other items

Operating income

$860m Underlying basis

$856m Statutory basis

OUR REGIONS

Greater China & North Asia

Serving clients in mainland China, Hong Kong, Korea, Japan, Taiwan and Macau. The Group's largest region by income.

Operating income

$6,155m Underlying basis

$6,242m Statutory basis

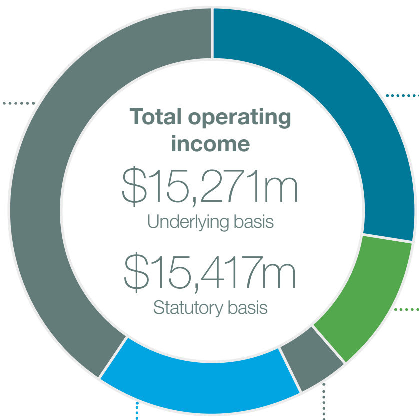
Africa & Middle East

Present in 25 markets, of which the most sizeable by income are the UAE, Nigeria and Kenya.

Operating income

$2,562m Underlying basis

$2,562m Statutory basis



ASEAN & South Asia

Our largest markets by income are Singapore and India. We are active in all 10 ASEAN countries.

Operating income

$4,213m Underlying basis

$4,211m Statutory basis

Europe & Americas

Centred in London and New York with a presence across both continents. A key income originator for the Group.

Operating income

$1,725m Underlying basis

$1,725m Statutory basis

Central & other items

Operating income

$616m Underlying basis

$677m Statutory basis

Guiding and supporting our businesses

GLOBAL FUNCTIONS

Our client-facing businesses are supported by our global functions, which work together to ensure the Group's operations run smoothly and consistently with our legal and regulatory obligations, our purpose and our Risk Appetite.

Human Resources
Maximises the value of investment in people through recruitment, development and employee engagement.

Legal
Enables sustainable business and protects the Group from legal-related risk.

Technology & Innovation
Responsible for the Group's systems development and technology infrastructure.

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

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

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

Group Internal Audit
An independent function whose primary role is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Group.

Operations
Responsible for all client operations, end-to-end, and ensures the needs of our clients are at the centre of our operational framework. The function's strategy is supported by consistent performance metrics, standards and practices that are aligned to client outcomes.

Conduct, Financial Crime and Compliance
Enables sustainable business by delivering the right outcomes for our clients and our markets by driving the highest standards in conduct, compliance and fighting financial crime.

VALUED BEHAVIOURS

Our valued behaviours demand that we do things differently, in order for us to succeed. Only then will we realise our potential and truly be Here for good.

Never settle

- Continuously improve and innovate
- Simplify
- Learn from your successes and failures

Better together

- See more in others
- "How can I help?"
- Build for the long term

Do the right thing

- Live with integrity
- Think client
- Be brave, be the change

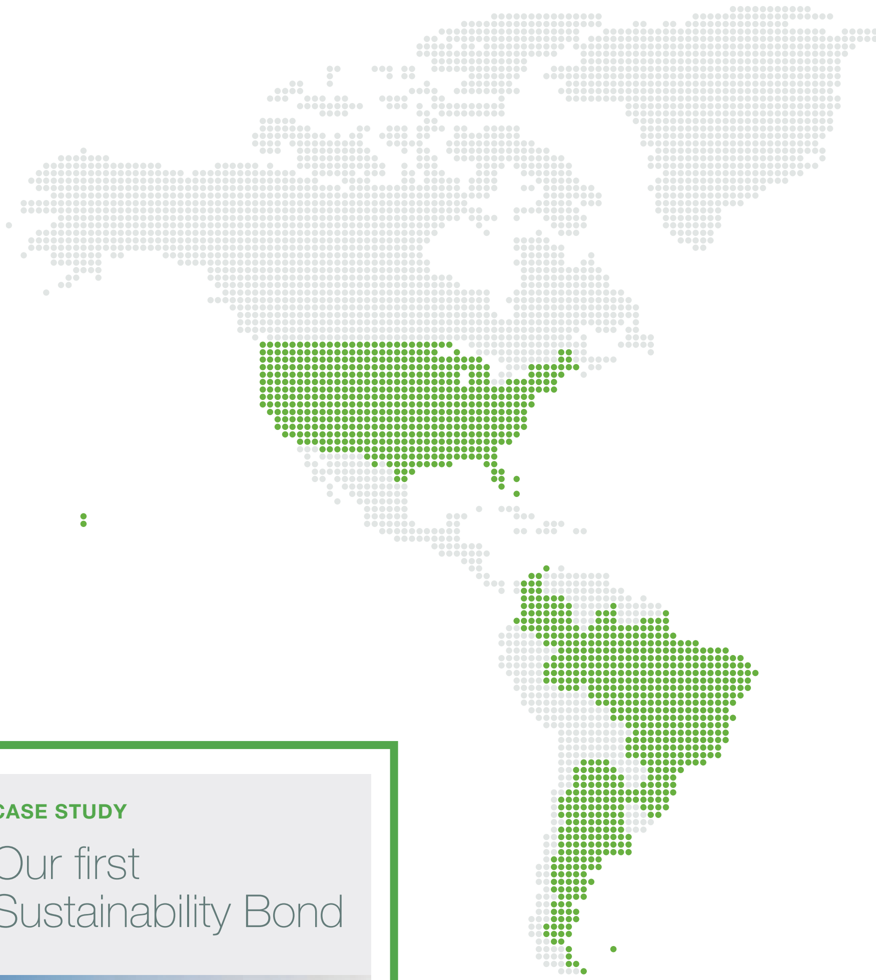
Where we operate

We are present in 59 markets and serve clients in a further 85

We make the most of our deep roots in rapidly developing Asian, African and Middle Eastern local markets to seek out opportunities at every turn.

We have been operating in these markets for more than 160 years, supporting better lives by providing banking where and when it matters most.

We place a particular focus on supporting customers who trade, operate or invest across our unique footprint. What sets us apart is our diversity – of people, cultures and networks.



Europe & Americas

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.

Argentina	Ireland
Brazil	Jersey
Colombia	Sweden
Falkland Islands	Turkey
France	UK
Germany	US
Guernsey	

See more on page 29

CASE STUDY

Our first Sustainability Bond

ASEAN & South Asia

We are the only international bank present in all 10 ASEAN countries. With meaningful operations across many key South Asian markets, we are in a strong position to be the 'go-to' banking partner for our clients.

Australia	Myanmar
Bangladesh	Nepal
Brunei	Philippines
Cambodia	Singapore
India	Sri Lanka
Indonesia	Thailand
Laos	Vietnam
Malaysia	

See more on page 27

CASE STUDY

Innovating with Castrol India

Greater China & North Asia

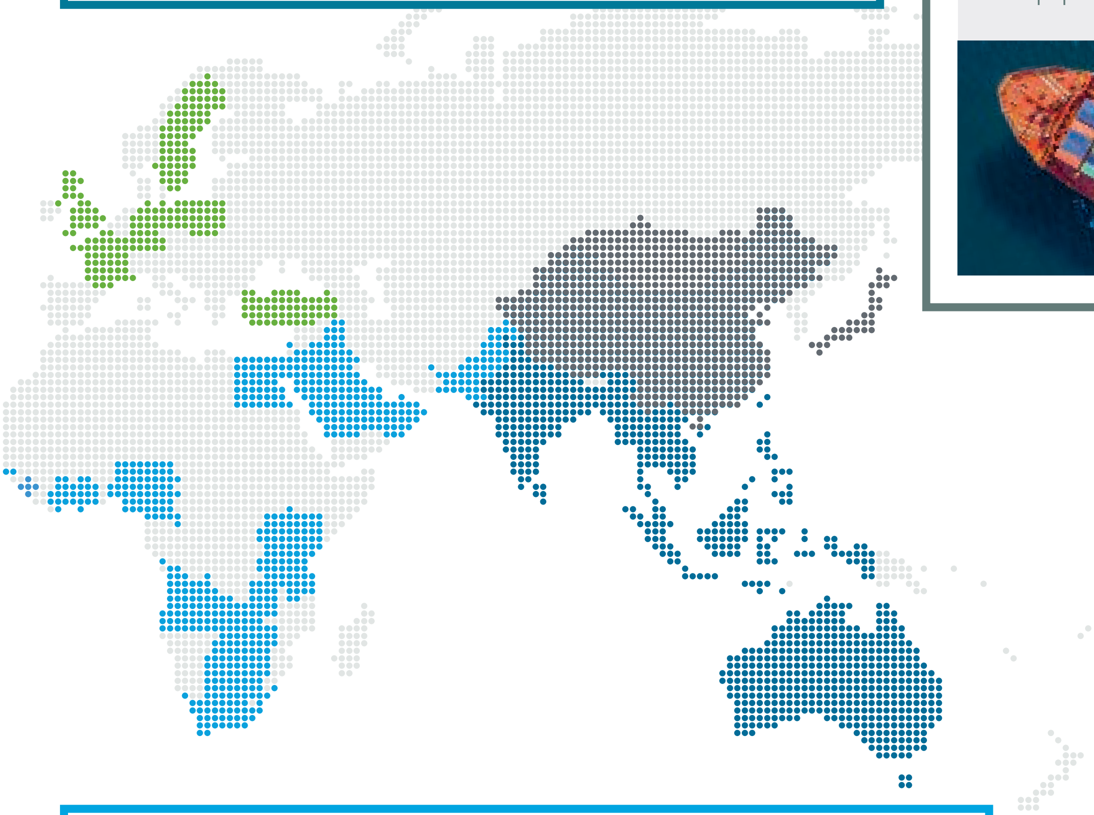
Greater China & North Asia generated the largest share of the Group's income in 2019, at 40 per cent.

Mainland China	Korea
Hong Kong	Macau
Japan	Taiwan

See more on page 26

CASE STUDY

Sustainable shipping



Africa & Middle East

We have a deep-rooted heritage of over 160 years in Africa & Middle East and are present in 25 markets. We are present in the largest number of sub-Saharan African markets of any international banking group.

Angola	Jordan	Sierra Leone
Bahrain	Kenya	South Africa
Botswana	Lebanon	Tanzania
Cameroon	Mauritius	UAE
Cote d'Ivoire	Nigeria	Uganda
Egypt	Oman	Zambia
The Gambia	Pakistan	Zimbabwe
Ghana	Qatar	
Iraq	Saudi Arabia	

See more on page 28

CASE STUDY

Infrastructure and clean tech

Group Chairman's statement
Driving more profitable and sustainable growth

José Viñals
Group Chairman

"We delivered the Group's fourth consecutive year of improvement in return on tangible equity"

I have been clear since I joined the Group that to increase our returns over the medium term, we need to grow income in a strong, safe and sustainable manner, while maintaining both cost and capital discipline. Together with my Board colleagues, I have also fully supported the Management Team's drive to improve our resilience to external shocks, while helping ensure excellent governance and the highest ethical standards.

The transformation that is underway is creating a more efficient and agile organisation with higher growth potential. As a result, despite the challenging global macroeconomic and geopolitical environment in 2019 we continued to make progress and delivered the Group's fourth consecutive year of improvement in our key performance measure: return on tangible equity.

We are on track to digitise our business and form strategic collaborations: we launched digital banking platforms in a further eight markets in Africa; received a coveted licence to launch a standalone virtual bank in Hong Kong; and boosted our corporate banking capabilities through a series of partnerships with Linklogis, IBM and SAP Ariba.

We are making big strides in sustainable banking by pioneering new products and delivering several world firsts, including blue bonds to help protect our oceans and deposits designed to finance sustainable development. Not only are we offering investors access to dynamic markets, but giving them an opportunity to put their money to work addressing some of the world's biggest long-term threats including climate change, health, financial inclusion and education.

We are living our Here for good promise and continue to stand behind the communities we operate in, not just giving back but also in building a better tomorrow for the next generations:

- We rolled-out Futuremakers by Standard Chartered to tackle inequality and promote economic inclusion in our communities. We contributed $9 million through fundraising and Group donations in this first year, which sets us on our way towards achieving our $50 million target by 2023
- Our innovative Belt & Road Relay, through 44 markets across our unique network, was a great success. Some of the girls involved in Goal, our girls' empowerment programme, joined the runs taking place in our Africa & Middle East region, and the relay leg in Saudi Arabia was the first ever mixed gender race in the country – an historic event that reflects our support for gender balance around the globe

> "We are making big strides in sustainable banking by pioneering new products and delivering several world firsts"

Improving our potential

The Group's longer-term growth potential has continued to improve. After having secured our foundations, we have resolved legacy conduct and control issues, allowing full focus on executing the strategic priorities that we refreshed last year. We are starting to convert our potential into real, sustainable growth, which our positive results across all segments and regions demonstrate.

We of course still have much to do. As an organisation we have become more open to change but need to press on; and our productivity and cost of funds could be improved further. But the refreshed priorities include clear plans which are addressing these issues.

More resilient

There were several reminders in 2019 as well as in the first weeks of this year of the importance of the progress we have made improving our resilience to external shocks. Just to name the most significant ones: the ups and downs in the US-China trade negotiations, the social unrest in Hong Kong and the recent novel coronavirus (Covid-19) outbreak.

Geopolitics and societal change – often interlinked – have become more uncertain than ever, often conducted via social media. This means that instability and rapid change are becoming the new normal. We must constantly assess and adapt to significant change – a skill I see as being core to the Group's DNA. We have a long track record in serving the areas of the globe that have undergone the most radical changes over the past 100 years.

I am very proud of how our team in Hong Kong dealt with the social unrest there last year; and am equally proud of how colleagues in that region and globally are pulling together currently to respond to the impact of the coronavirus outbreak.

Our risk management framework that includes non-financial risks has been fundamentally overhauled in recent years, and we have built strong capital and liquidity positions. This means we can face an uncertain future confidently, while we continue to expand our capabilities to keep pace with evolving threats such as cyber and financial crime.

It is easy to dwell on the negatives, but it is important not to forget the incredible opportunities that exist in our footprint. For example, while the US-China trade dispute rumbles on, many of our clients have learned to live with – and in some cases benefit from – the uncertainty. We have seen supply chains move and adapt to the new realities, often to our benefit as China trades and invests more within Asia, Africa and the Middle East.

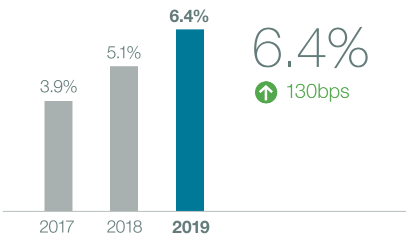
Our markets have plenty of growth potential, reflecting rapid industrialisation and relatively young and hard-working populations. Against this backdrop, our strength and the opportunity will come from continuing to focus on what we can control, and what we do best.

Enhanced governance and culture

I commissioned an externally facilitated Board effectiveness review in the middle of the year, which concluded that overall we continue to demonstrate good governance and our Board is operating effectively.

Financial KPIs

Underlying return on tangible equity (RoTE)

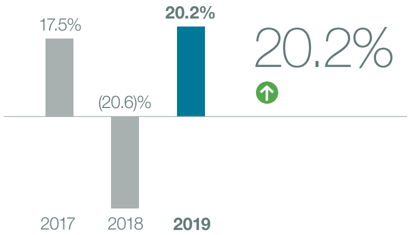


Aim Deliver sustainable improvement in the Group's profitability as a percentage of the value of shareholders' tangible equity.

Analysis Underlying RoTE of 6.4 per cent in 2019 was an improvement on 5.1 per cent in 2018 but further progress is required.

The underlying profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' tangible equity

Total shareholder return (TSR)*



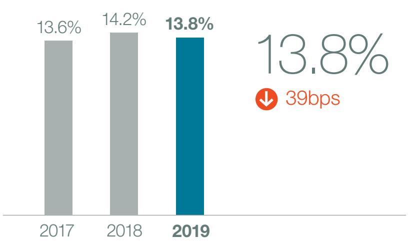
Aim Deliver a positive return on shareholders' investment through share price appreciation and dividends paid.

Analysis The Group's TSR in the full year 2019 was positive 20.2 per cent, compared to negative 20.6 per cent in 2018.

Combines simple share price appreciation with dividends paid to show the total return to the shareholder and is expressed as a percentage

* In our 2018 Annual Report, we incorrectly stated our 2017 and 2018 TSR figures. These have been corrected in the above chart

Common Equity Tier 1 ratio



Aim Maintain a strong capital base and Common Equity Tier 1 (CET1) ratio.

Analysis The Group's CET1 ratio was 13.8 per cent, within our 13-14 per cent target range. The decrease in the ratio is predominantly due to the share buy-back of $1bn completed in 2019.

The components of the Group's capital are summarised on page 236

Group Chairman's statement continued

Recognition Awards 2019

The annual Standard Chartered Recognition Awards put the spotlight on colleagues who bring our valued behaviours – Never settle, Better together, Do the right thing – to life, delivering outstanding outcomes for the business. The awards reinforce that driving our performance depends as much on how we do things as what we do.

In 2019, 38 finalists from across the Group joined the Group Chairman and the Management Team at a two-day event in Kenya, where they had the opportunity to share more details about their inspiring stories. Their achievements really impressed the judging panel, and showcased individuals and teams who showed passion, drive, courage, and leadership. Obstacles and challenges were overcome by a determination to do something important for the benefit of our clients, communities, business, or all three.

It was an extremely tough decision to choose the winners, but the judges did settle on three outstanding examples of Never settle, Better together and Do the right thing.

Winners

Putting a client's need first

Never settle

Prince Ofori Nyarko

Syndicated Letters of Credit Programme

Better together

From left:
Frettra DeSilva, Filipe Mossmann, Thiago Gama, Daniel Guiotti, Clara Souza

Women in Tech Incubator Programme

Do the right thing

From left:
Helen Nangonzi, Khadija Hashimi, Sarah Oyungu, Sumeet Singla, Dayo Aderugbo

While in Kenya the finalists also participated in a Futuremakers values workshop for girls involved in our Kenya Goal education programme.

Of course, there are always areas for improvement, and these are detailed in the Directors' report section of the Annual Report.

I continue to visit many markets across our network, and it is clear to me that we have some of the most dedicated, diverse, inspiring and creative individuals in the industry who uphold our valued behaviours and endeavour to deliver the very best for our clients and the Group.

Dividend and share buy-backs

As Andy will explain later in this report, our results in 2019 show good progress on the medium-term financial objectives that he and Bill laid out at the start of the year. The Board has accordingly declared a final ordinary dividend of 20 cents per share, which would result in a full-year dividend for 2019 of $863 million or 27 cents per share, a 29 per cent improvement on 2018.

This return to shareholders is in addition to the $1 billion of surplus capital that we used to buy and cancel existing ordinary shares last year. And with our common equity tier 1 capital ratio back near the top end of our 13-14 per cent target range, we are pleased to announce the decision to purchase a further $0.5 billion worth of ordinary shares starting shortly.

Moving forward

The Group continued to move forwards and upwards in 2019 despite the external uncertainties. The team has stayed on track to deliver a solid performance and through it all, has exhibited great focus, discipline and resilience.

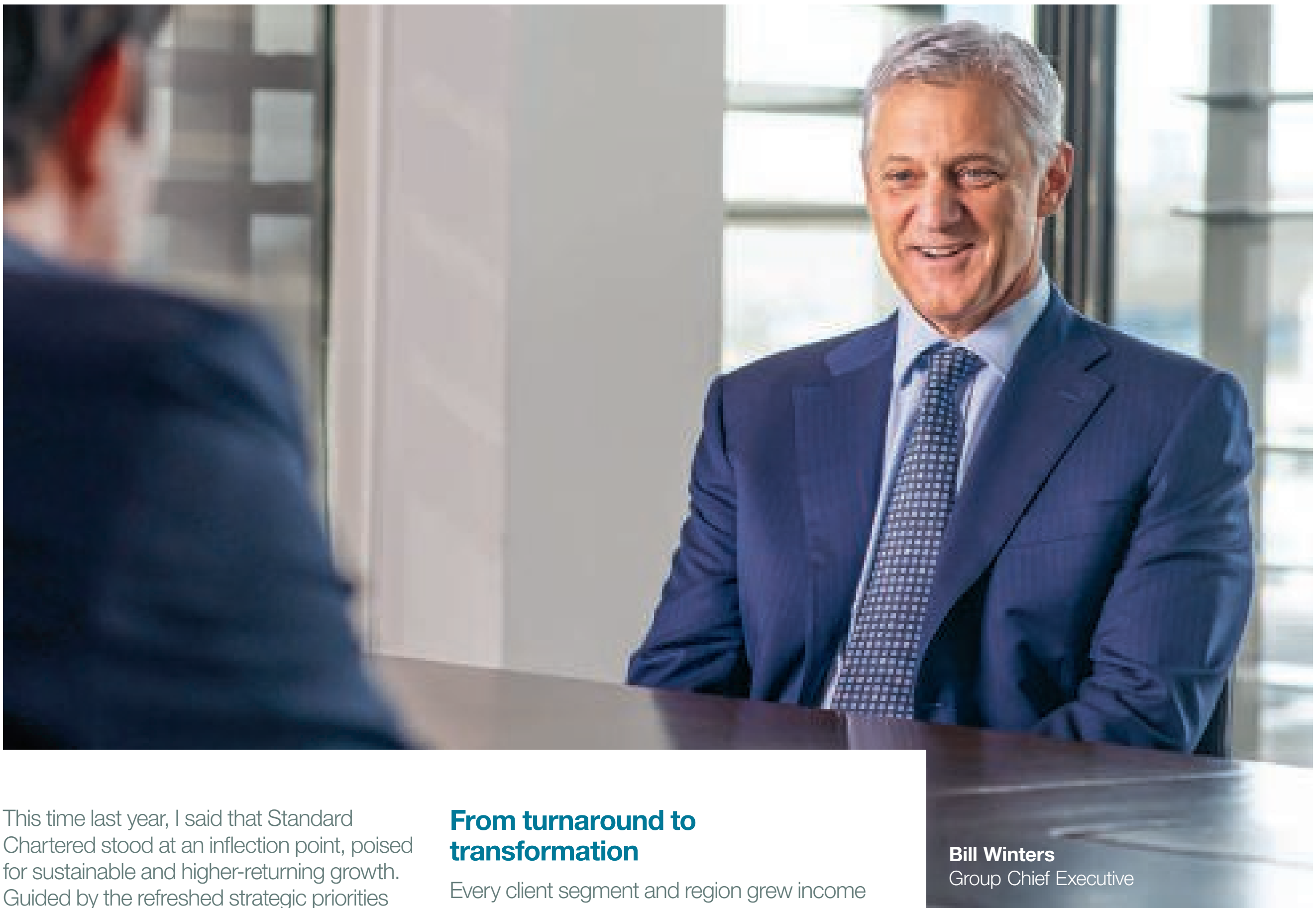
There is still much to be done and while external conditions are likely to be more challenging in the near-term we remain excited by the opportunities that lie ahead.

The Board will continue to oversee the task of striking the right balance between maximising opportunities on the one hand and maintaining appropriate risk controls on the other. I am convinced this will allow us to improve returns in a strong, safe and sustainable manner.

José Viñals
Group Chairman

27 February 2020

Group Chief Executive's review
Delivering on our commitments



Bill Winters
Group Chief Executive

This time last year, I said that Standard Chartered stood at an inflection point, poised for sustainable and higher-returning growth. Guided by the refreshed strategic priorities we set for ourselves in 2019, we are now delivering on that promise.

By maintaining discipline on the things within our control and keeping a sharp focus on the areas in which we are most differentiated, we grew underlying earnings per share 23 per cent and generated a further significant improvement in our return on tangible equity (RoTE). This is despite volatile geopolitics and lower interest rates.

We also passed several strategic milestones, demonstrating our ability to execute at pace. Highlights include obtaining one of the first virtual bank licences in Hong Kong, successful completion of the Group's first ever share buy-back – our next will start shortly – and agreeing to sell our stake in our Indonesian joint venture, Permata. We also resolved in April our previously disclosed investigations in the US and UK into historical sanctions and financial crime controls issues.

From turnaround to transformation

Every client segment and region grew income last year on a constant currency basis and each managed to do so at a faster rate than costs, but the numbers only tell part of the story. In parallel, we made tangible progress against each of our strategic priorities.

- We are supporting trade and investment by delivering our global network to our corporate and institutional clients
- We are growing our affluent client business, helping our individual clients prosper
- We have stepped up our digitisation and innovation efforts, transforming how we serve our customers and – in the process – being recognised at the Global Finance Awards as the World's Best Consumer Digital Bank
- We made encouraging progress and in aggregate grew operating profits in four large markets where we are focused on optimising returns
- We have launched several initiatives to improve productivity that are delivering positive results. For example, our new legal entity structures in Hong Kong and Singapore are already allowing us to better deploy our strong capital and liquidity to generate income more efficiently

"We passed several strategic milestones, demonstrating our ability to execute at pace"

Group Chief Executive's review continued

Culture and sustainability

Last year, we articulated an aspiration to drive an inclusive, innovative performance culture that emphasises sustainability and conduct.

We are making good progress improving the day-to-day experience of our customers, our colleagues and the communities in which we operate. And we have set out how we can lead the way on many globally important issues, leveraging the unique diversity of our people, products, and network.

Emerging markets will be the most affected by climate change and have the greatest opportunity to leapfrog to new low-carbon technology, but there has not been sufficient investment into this sector across emerging markets in Asia, Africa and the Middle East. We are part of the solution in bridging what the UN estimates to be a $2.5 trillion a year funding gap.

Our refreshed Sustainability Aspirations reinforce our commitment to the UN's Sustainable Development Goals (SDGs). We are taking bold and ambitious actions in a number of areas:

- Having met our previous $4 billion target early, we increased our aspiration for funding and facilitating renewable energy to $35 billion from 2020 to the end of 2024
- We will only support clients who actively transition their business to generate less than 10 per cent of their earnings from thermal coal by 2030, and will review our activities within other industries generating substantial CO_2 emissions
- We are targeting net zero emissions and to use only renewable energy sources by 2030
- We have launched a number of innovative sustainable finance products linked to the SDGs

These themes speak directly to that for which Standard Chartered stands: we are Here for good.

Conclusion and outlook

We improved our RoTE by 130 basis points to 6.4 per cent in 2019. This is decent progress, especially considering an increasingly challenging external environment:

- Interest rates continue to fall, putting pressure on our net interest income despite ongoing efforts to improve our cost of funding
- The global economy is still driven disproportionately by markets in our footprint, but is growing at a slower pace than before
- China and the US only recently passed the first phase of what is likely to be a drawn-out process to resolve their differences
- Our largest market, Hong Kong, tipped into recession, driven by a combination of the extended US-China trade dispute, slower economic growth in China and local social unrest
- And more recently, the outbreak of the novel coronavirus (Covid-19) comes with unpredictable human and economic consequences

These external challenges will mean that income growth in 2020 is likely to be lower than our anticipated 5-7 per cent medium-term range, and that it will take longer to achieve our 10 per cent RoTE target than we previously envisaged. I want to be clear, though, that we continue to target RoTE above 10 per cent; this remains the minimum hurdle rate we use to run the business and is the least I expect from this franchise. However, it is important that we do not jeopardise our recently secured foundations. Nor will we sacrifice achieving our medium-term objectives to satisfy shorter-term financial targets. We remain sensitive to external conditions generally and recognise that these could as easily recover as worsen. We are prepared for moves in either direction.

> "We are in the right markets guided by the right strategy"

We will continue to invest in areas of our competitive strength in 2020 and will not compromise on the quality of the income we generate. If the external environment means our top-line grows more slowly then so will our costs, and if there are fewer opportunities to effectively deploy surplus capital to fuel incremental high-returning growth then we will have more to return to shareholders. We have improved our RoTE every year since 2015 and we are focused on doing so again this year through maintaining positive income-to-cost jaws and disciplined capital deployment.

We have taken significant steps to reshape our business and we are prepared to take further action if the dampening external factors turn out to be more structural or long-lasting. But I believe the factors that are likely to create economic headwinds in 2020 will turn out to be transitory. The synchronised global policy easing that started earlier in 2019 should stimulate growth but there is always a lag. And on top of this monetary support, China and India – by far the two biggest drivers of global growth – have fiscal levers to deploy to underpin growth.

As we continue to transform Standard Chartered this year, we will welcome challenge, adapt swiftly and be uncompromising in our pursuit of high performance. A perfect example of this in 2019 was how colleagues adapted to the disruption in Hong Kong to maintain their client focus in the second half of the year; truly exemplifying our valued behaviours.

We are in the right markets, guided by the right strategy and united through our purpose to drive commerce and prosperity. I am confident that we have set ourselves up for lasting success.

Bill Winters
Group Chief Executive

27 February 2020

Invested in 2019[1]

$1.6bn

2018: $1.6bn 2017: $1.5bn

1 Regulatory, strategic, cyber and system investments

Proportion of Retail Banking income generated from Priority clients

48%

2018: 47% 2017: 45%

Proportion of Retail Banking clients that are digitally active

54%

2018: 49% 2017: 45%

Management Team

1. **Bill Winters, CBE**
   Group Chief Executive
2. **Andy Halford**
   Group Chief Financial Officer
3. **Tracy Clarke**
   Regional CEO, Europe & Americas and CEO, Private Bank
4. **Simon Cooper**
   CEO Corporate, Commercial and Institutional Banking
5. **David Fein**
   Group General Counsel
6. **Dr Michael Gorriz**
   Group Chief Information Officer
7. **Benjamin Hung**
   Regional CEO, Greater China & North Asia and CEO, Retail Banking, and Wealth Management
8. **Judy Hsu**
   Regional CEO, ASEAN & South Asia
9. **Tanuj Kapilashrami**
   Group Head, Human Resources
10. **Sunil Kaushal**
    Regional CEO, Africa & Middle East
11. **Tracey McDermott, CBE**
    Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime & Compliance
12. **Mark Smith**
    Group Chief Risk Officer
13. **David Whiteing**
    Group Chief Operating Officer
14. **Alison McFadyen***
    Group Head, Internal Audit

* Alison represents Group Internal Audit as an invitee at Management Team meetings

Market environment

Macroeconomic factors affecting the global landscape

Global macro trends

Trends in 2019

- Global growth slowed in 2019, likely growing at 3.0 per cent, weaker than the 3.8 per cent growth witnessed in 2018
- Asia continued to be the main driver of global growth though growth slowed here as well
- Amongst the majors, the US was an outperformer, supported by a strong labour market though growth slowed as the impact of earlier fiscal stimulus faded
- The euro-area economy growth likely eased to 1.1 per cent in 2019 from 1.9 per cent in 2018 on the back of global trade slowdown and Brexit uncertainty
- Major central banks eased policy to guard against rising recession risks

Outlook for 2020

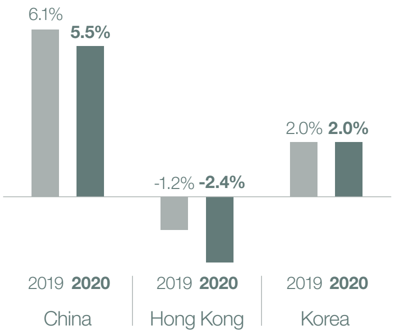
- Global growth is expected to stabilise around 3 per cent in 2020, the slowest pace of growth since the 2008-09 global financial crisis (GFC) though well above growth seen in the GFC years
- Asia will remain the fastest growing region in the world and will continue to drive global growth, expanding by more than 5 per cent
- Our core scenario is that the novel coronavirus (Covid-19) outbreak will be contained by late March, paving the way for a Q2 recovery. However, the evolution of the coronavirus situation globally remains a key uncertainty
- Monetary and fiscal policy support will cushion the negative coronavirus impact but will not be able to fully compensate for the deadweight loss to growth that is likely in Q1
- There are several downside risks to this outlook including escalation of US-China trade tensions or a geopolitical event risk resulting in an oil price spike

Medium-term and long-term view

- Ongoing global growth recovery is cyclical in nature and therefore vulnerable; structural challenges remain. Productivity growth is weak, especially in developed countries
- Long-term growth in the developed world is constrained by high levels of indebtedness and ageing populations
- Relatively younger populations in many emerging markets as well as adoption of digital technology will allow emerging markets to become increasingly more important for the global growth story
- Rising nationalism, anti-globalisation and protectionism are a threat to long-term growth prospects for emerging markets
- Emerging countries will have to focus on education and upskilling to meet the threat of rising joblessness due to automation

Greater China & North Asia

Actual and projected growth by country in 2019 and 2020

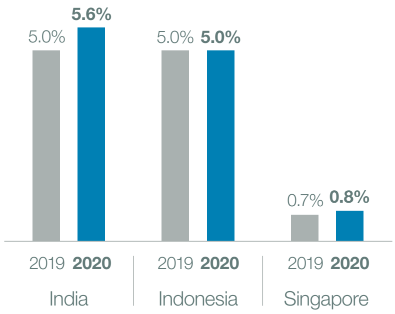


- China's economy grew by 6.1 per cent in 2019, we expect it to slow to 5.5 per cent for 2020 due to the drag on production and consumption from the coronavirus outbreak
- The US-China trade tensions and the property sector are sources of downward pressure on China's economy
- A few positive factors should help offset these headwinds. These include government infrastructure spending, a recovery in the industrial inventory cycle and the lagged impact of a pick up in total social financing
- The People's Bank of China (PBoC) is expected to further cut the required reserve ratio (RRR) to support growth, in addition to the fiscal stimulus such as tax benefits and subsidies for SMEs
- Hong Kong is likely to see a deeper recession of -2.4 per cent in 2020 after the -1.2 per cent growth in 2019. The deeper recession will reflect the impact of the coronavirus outbreak and a slowdown in China on an economy already hurt by social unrest
- We expect South Korea's economy to grow by 2 per cent in 2020 as growth is hurt by the coronavirus outbreak especially in the first quarter. Monetary and fiscal policy is likely to be eased from Q2 to support growth

See our regional performance on page 26

ASEAN & South Asia

Actual and projected growth by country in 2019 and 2020

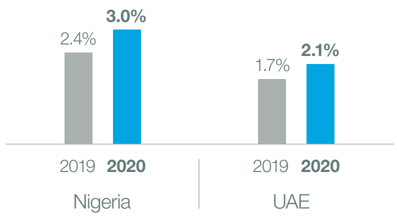


- ASEAN growth will be hurt by the coronavirus outbreak but will still be one of the fastest growing regions in 2020
- We expect Singapore to grow by 0.8 per cent in 2020, unchanged compared to 2019. Growth will stay weak due to the impact of the coronavirus outbreak. We expect the central bank to ease policy to support growth
- The growth outlook remains supported by domestic demand – especially government infrastructure spending – in some countries such as Indonesia and the Philippines
- India witnessed a broad-based slowdown in 2019, with growth likely slipping from 6.1 per cent in 2018 to 5.0 per cent in 2019
- India is likely to see a gradual recovery to 5.6 per cent in 2020 given challenges in the financial sector, sluggish private investment and limited policy levers domestically

See our regional performance on page 27

Africa & Middle East

Actual and projected growth by country in 2019 and 2020

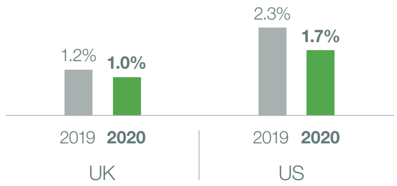


- Growth in Sub-Saharan Africa (SSA) is likely to accelerate in 2020 from a weak base, despite global headwinds
- Non-oil growth will support a strong recovery in Nigeria
- Renewed US-Iran tensions have raised the geopolitical stakes in MENAP with likely spill-overs into the rest of 2020
- OPEC+ cuts constitute a downside risk to oil exporters' recovery in growth in 2020. A sustained expansion in the non-oil economy will depend on fiscal support
- We expect Dubai's hosting of EXPO 2020 to provide a one-off boost to UAE's growth by helping lift UAE's non-oil growth to c3 per cent
- Unlike other regions, there is not much of a dovish wave in SSA. Amid greater risk aversion, central bankers are increasingly wary of capital outflows

See our regional performance on page 28

Europe & Americas

Actual and projected growth by country in 2019 and 2020



- US growth is likely to weaken towards trend growth in 2020. Domestic growth is likely to be sluggish given a slowdown in China, the Boeing shutdown and uncertainty related to the US presidential elections. Growth will be supported by a strong labour market and consumer spending
- Fed easing in 2019 is also likely to support growth in 2020. We expect the Fed to remain on hold through 2020 though it could cut rates early if necessary depending upon the evolution of the coronavirus situation
- In 2020, political risks may intensify as the US heads into elections
- For the euro-area, weaker China demand due to the coronavirus outbreak will be a drag on growth while lower oil prices will be growth-supportive
- The European Central Bank is likely to stay on hold in 2020, though it could ease if the coronavirus outbreak continues in Q2
- As risks of an imminent Brexit crisis has eased, UK growth is likely to stabilise. Fiscal stimulus is likely to offset some of the headwinds likely to emerge from the post-Brexit UK-EU relationship

See our regional performance on page 29

All data correct as of 21 February 2020

Business model
Built on long-term relationships

What makes us different

OUR PURPOSE

To drive commerce and prosperity through our unique diversity – is underpinned by our brand promise, **Here for good.**

Client focus

Our clients are our business. We build long-term client relationships through trusted advice, expertise and best-in-class capabilities.

Robust risk management

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

Distinct proposition

Our unique understanding of the markets we operate in and our extensive international network allow us to offer a truly tailored proposition to our clients, combining global expertise and local knowledge.

Sustainable and responsible business

We promote social and economic development by supporting sustainable finance, being a responsible company and promoting inclusive communities.

How we're shaping our future

At Standard Chartered, we tailor our business model as needed in order to meet future challenges and opportunities:

- By putting clients at the centre of everything that we do, we make sure that we are developing new products and services that optimally fulfil their needs with the support of state-of-the-art technology
- We help our clients to make the right financial decisions and support them to grow their businesses sustainably
- We strive to remain at the forefront of the fight against financial crime. Achieving the highest standards of conduct is an indispensable part of the sustainability of our business model
- Our unique network and expertise differentiates us from our competition
- We are putting in place the frameworks and guidelines to ensure that our business model is sustainable, enhancing our capabilities and governance for Climate Risk management

The inputs we rely on

OUR RESOURCES

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

How we're enhancing our resources

Human capital

Our diversity differentiates us. Achieving our strategic priorities hinges on the way we invest, manage and organise our people, the employee experience we curate and the culture we develop.

- We are building out skills of future strategic value including analytics, digital and cyber capabilities – over 9,500 certifications in skills that support new ways of working were completed by employees in 2019
- We are creating a working environment that supports resilience and creativity – we have wellbeing champions in place who cover 95 per cent of our employees

Strong brand

We are a leading international banking group with more than 160 years of history. In many of our markets we are a household name.

+23

'Main bank' net promoter score[1]

Standard Chartered

- Building a strong and consistent narrative on what we stand for as a bank, through impactful, creative and powerful messaging
- Taking more ownership of our narrative through strategic use of digital channels and increased use of digital listening and insights

1 'Main bank' net promoter score refers to clients that use Standard Chartered as their main bank

International network

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

- We continue to leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients
- About two-thirds of the income generated by our Corporate & Institutional Banking business is now from clients using the network, a significant increase compared with 2015

Local expertise

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

- We facilitate trade and investment in and across our markets, contributing to their rapid economic development
- Our strong local presence enables us to connect our clients to investors, suppliers, buyers and sellers, enabling them to move capital, manage risk, invest to create wealth, and providing them with bespoke financing solutions

Financial strength

With over $700 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

$720bn

Balance sheet

- Stronger capital and a much more resilient balance sheet
- CET1 ratio of 13.8 per cent, within the Group's target range of 13-14 per cent

Technology

We possess leading technological capabilities to enable best-in-class customer experience, operations and risk management.

- Providing digital solutions to meet clients' needs, partnering to co-create solutions and experimenting with new business models
- Automating for efficiency and accelerating speed to market

Business model continued

What we deliver

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

See our client segment reviews on pages 22 to 25

GLOBAL

Clients in our global businesses are supported by relationship managers with a global reach.

Corporate & Institutional Banking

Private Banking

LOCAL

Country-level relationship managers support clients in our local businesses. To ensure efficiency and consistency and to enable greater investment, we have global oversight of our systems and products.

Retail Banking

Commercial Banking

PRODUCTS AND SERVICES

Retail Products
- Deposits
- Savings
- Mortgages
- Credit cards
- Personal loans

Wealth Management
- Investments
- Portfolio management
- Insurance and advice
- Planning services

Transaction Banking
- Cash management
- Payments and transactions
- Securities services
- Trade finance products

Corporate Finance
- Structured and project financing
- Strategic advice
- Mergers and acquisitions

Financial Markets
- Investment
- Risk management
- Debt capital markets

FINANCIAL PERFORMANCE

Income
- Net interest income
- Fee income
- Trading income

Profits

Income gained from providing our products and services minus expenses and impairments

Return on tangible equity

Profit generated relative to tangible equity invested

The value we create

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

OUTCOMES

Clients

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

8.7%
total Affluent Client growth year-on-year

Suppliers

We work with local and global suppliers to ensure they can provide the right goods and services for our business, efficiently and sustainably.

$4.0bn
spent in 2019 with more than 14,600 active suppliers

Regulators and governments

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

$1,421m
in taxes paid in 2019

Society

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

$51.1m
on community investment

Investors

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

$863m
in dividends declared in 2019

$1bn
spent buying back shares

Employees

We believe great employee experience drives great client experience. We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career enabled by great people leaders.

63%
of senior appointments which are internal

96%
of employees are committed to our success

SUSTAINABLE FINANCE

Innovative financing powers solar energy

We believe everyone should have access to safe, reliable and affordable power. Between 2016 and 2019, we financed and facilitated $24.9 billion for clean technology such as renewable energy.

In 2019, an innovative financing deal with GuarantCo, a Private Sector Infrastructure Development Group company, paved the way for the first, and currently only, operational utility-scale solar power plant in Bangladesh. The project, developed by Technaf Solartech Energy Limited (TSEL), will increase the share of renewables in the country's energy mix and benefit almost 140,000 people. At peak production, the plant at Teknaf in the Cox's Bazar District of Bangladesh will produce up to 80 per cent of the present electricity demand for the entire Teknaf region.

Standard Chartered, working with local banks, provided a 15-year $13.5 million dual currency financing solution to TSEL. GuarantCo provided a partial credit guarantee and liquidity extension guarantee to mitigate risk and extend the tenor of both USD and Taka loan to 15 years – a first in Bangladesh. GuarantCo mobilises private sector local currency investment for infrastructure projects in lower income countries across Africa and Asia.

+ We recently published a report on how the private sector can play a critical role in meeting the UN's Sustainable Development Goals. For more information on our involvement in TSEL and other projects, visit sc.com/opportunity2030

Image provided by Joules Power Limited

"Standard Chartered, working with local banks, provided a 15-year $13.5 million dual currency financing solution to TSEL"

Our strategy
Taking Standard Chartered to the next level

Transforming the way we deliver services to meet our clients' needs is at the core of our strategic priorities and critical to our success.

We are executing our refreshed strategic priorities that we announced in February 2019. We have made good progress in the year and we are on track to deliver our objectives. Going forward, we remain committed to these objectives while leading the transformation of the banking industry.

Our strategic priorities

Purpose and People

Understand our responsibilities

We view our experience and expertise in managing risk across complex markets and products as a competitive advantage. We aim to drive up standards of governance, ensure fair outcomes for clients and markets and continue to partner with others in fighting financial crime. We are further developing our Financial Information Sharing Partnership and increasing our Correspondent Banking Academy Programme.

Lead sustainable financing across emerging markets

We are maintaining our focus on supporting sustainable economic growth, expanding renewables financing and investing in sustainable infrastructure where it matters most. We will continue to facilitate the movement of capital to drive positive social and economic impact in our markets. In 2019, we launched our first emerging market-focused Sustainability Bond and the world's first Sustainable Deposit.

Support the communities where we live and work

We tackle inequality in our markets through Futuremakers by Standard Chartered, which works with local and global partners to deliver community programmes focused on education, employability and entrepreneurship. Our programmes support young people, particularly girls, women and people with visual impairment. The Standard Chartered Foundation, set up in 2019 to advance charitable purposes, will be the lead delivery partner for Futuremakers.

Maximise return from investment in our people

We want to deliver a client-centric environment with an inclusive culture that capitalises on the experience and unique diversity of our people. We are building a future-ready workforce, embedding digital, agile and people leadership skills. We aim to amplify the impact of our people by deploying them in markets that fit their capabilities and career aspirations.

Progress in 2019

Employee net promoter score + growth: Year-on-year

+11.5 +0.2pts YoY

2018: +11.3

Employee net promoter score measures the number of promoters who would recommend the Group as a great place to work compared with detractors on a scale from -100 to +100.

Sustainability Aspirations met or on track

93.1% +2% YoY

2018: 90.9%

Measuring progress against the targets set in our 11 Sustainability Aspirations.

Our strategy continued

Deliver our network

Leverage our unique footprint

Our unique network is a long-term source of growth and sustainably higher returns. We have continued to deepen our penetration among our core clients to fully realise the revenue potential of our network. Our footprint has enabled us to capture strong client flows as we focus on multinational corporates operating extensively in Asia, Africa and the Middle East, as well as investors and financial institutions that are seeking emerging market solutions. We are also positioned to take advantage of increasing sustainable finance opportunities in emerging markets.

Build on our strength in China

We will continue connecting our clients both within and beyond China. We are increasingly capturing growth opportunities arising from capital market opening, renminbi (RMB) internationalisation, Belt & Road corporate clients, offshore mainland Chinese wealth and the Greater Bay Area.

Grow with Africa

We aim to grow with our clients in Africa, focusing on capturing inbound flows of financial institutions, multinational corporations, and Belt & Road clients. Meanwhile, we have continued our Retail Banking client growth in Africa with our cost-efficient digital bank capabilities. We have now acquired over 150,000 customers on this digital platform (trebling previous client acquisition rates).

Read more on pages 26 to 29

Progress in 2019

Corporate & Institutional Banking network income:

$4.7bn +6% YoY

2018: $4.4bn

Corporate & Institutional Banking income generated outside of a client group's headquarter country.

Grow our affluent business

Meet the wealth needs of the affluent and emerging affluent

By continuously enhancing our offering for clients, we have been able to grow income as we attract new clients and improve our product mix (income from our Premium, Priority and Private clients increased 6 per cent YoY). In 2019, we launched a forex (FX) derivatives platform and introduced a 'Premium' banking service in 10 markets.

Enhance client experience with data and technology

We will increase our investment in data and analytics capabilities to generate a unique understanding of our clients and their needs, and in turn improve our offerings, deliver a personalised experience and increase client engagement. In 2019, we launched the Trade AI Engine in partnership with IBM to enhance the client experience in trade document processing.

We have been a core part of developing the FEAT (Fairness, Ethics, Accountability and Transparency) framework in Singapore and are embedding these principles in all AI offerings we develop.

Scale the non-affluent segment in a targeted manner

The rise of the emerging affluent is an important growth opportunity for our business. To profitably capture this opportunity, we will implement new business models, harness technology and work with non-bank partners to acquire and serve non-affluent clients with our target profile in a cost-efficient manner.

Read more on pages 22 to 25

Progress in 2019

Affluent client income:

$3.5bn +6% YoY

2018: $3.3bn

Income from Retail Banking Priority, Retail Banking Premium and Private Banking clients.

Optimise low-returning markets

Improve returns in markets where we are an international bank with trusted local capabilities

In markets where we can utilise our local and international capabilities, we have continued to improve our returns through our sharpened participation in Corporate & Institutional Banking and selectively in Commercial Banking and/or Retail Banking. In particular, we have focused on optimising the performance of four high-potential markets, namely India, Indonesia, Korea and the UAE.

Accelerate growth in our largest and most profitable markets

In markets where we are a top local universal bank and have attractive returns, we will participate in all of our business segments and invest to grow our market share.

Focus on Corporate & Institutional Banking in other markets

In markets where our capabilities are geared towards international business, we will reinforce our focus on originating and facilitating cross-border business with our Corporate & Institutional Banking presence.

Progress in 2019

Underlying operating profit before taxation in India, Indonesia, Korea and the UAE:

$420m +10% YoY

2018: $383m

Aggregate underlying profit before taxation in the four markets; excluding Permata.

Improve productivity

Transform and disrupt with digital

Continue investing in productivity

Our investment in digitisation will continue to support productivity improvements and enhance client experience. We refreshed our digital platform with unified trade and FX capabilities in Corporate & Institutional Banking. In Retail Banking, we launched real-time client on-boarding on digital channels and refreshed wealth and FX platforms with full mobile access (Hong Kong transactions increased 15 per cent YoY).

Organise around client journeys

We are shaping our organisation around the journeys of our clients, to better align our processes and way of working with the needs of our clients and partners. In 2019, we launched journeys in cash management cross-border payments, retail credit card and personal loan on-boarding, FX, wealth lending, Private Banking on-boarding and investment advisory.

Unlock capital and liquidity efficiency

Since making Standard Chartered Bank (Hong Kong) Limited a wholly owned direct subsidiary of Standard Chartered PLC, the Group has moved its China, Korea and Taiwan subsidiaries under the new entity. We also consolidated our activities in Singapore in a new legal entity hub. These actions allow more efficient use of capital and liquidity that will over time result in a lower cost of funds for the Group.

Progress in 2019

Underlying operating income per FTE:

$182k +5% YoY

2018: $173k

Underlying operating income over the past 12 months divided by the 12-month rolling average full-time equivalent (FTE) employees.

Transform our Retail Banking business with digital

We have continued our strong momentum in digitising our Retail Banking business. For example, we have rolled out a full-service, cost-efficient digital bank in eight additional markets in Africa, and our joint venture with PCCW, HKT and Ctrip Finance has obtained a virtual bank licence in Hong Kong and will launch a new entity in 2020. Going forward, we aim to adapt and replicate these capabilities as appropriate across our footprint to enhance client experience, improve efficiency, gain market share, disrupt and build a future-proof retail bank.

Consolidate our strong position with corporate clients

We have been leading disruptive innovations in corporate banking. In 2019, we launched an open digital platform for small and medium-sized enterprises in India, we completed our first cross-border letter-of-credit blockchain transaction in the oil industry with PTT Group on the Voltron platform and the first joint deep-tier supply chain financing transaction with Linklogis for Digital Guangdong.

We will continue to invest in cutting-edge digital tools and new corporate banking models.

See case study on page 50

Progress in 2019

Retail Banking digital adoption:

54.4% +500bps YoY

2018: 49.4%

Mobile and online adoption by active clients.

Corporate & Institutional Banking digital volumes:

$157m +9% YoY

2018: $144m

Financial markets sales income originated via e-platforms.

Commercial Banking digital adoption:

68% +310bps YoY

2018: 65%

Percentage of Commercial Banking clients active on the Straight2Bank application.

Corporate & Institutional Banking

At a glance

Profit before taxation

$2,318m ↑ 12%
underlying basis

$2,208m ↑ 32%
statutory basis

Risk-weighted assets

$132bn ↑ $3bn

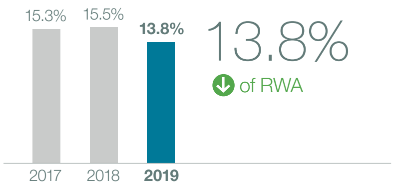
Return on tangible equity (RoTE)

8.5% ↑ 110bps
underlying basis

8.1% ↑ 210bps
statutory basis

KPIs

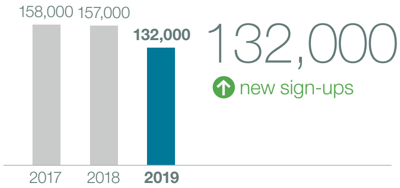
Proportion of low-returning client risk-weighted assets (RWA)



Aim: Reduce perennial sub-optimal RWA[1] and bring down the proportion of low returning client RWA.

Analysis: Our perennial sub-optimal RWA has reduced 46 per cent year-on-year. The proportion of low returning client RWA decreased from 15.5 per cent in 2018 to 13.8 per cent in 2019 driven by a reduction in overall total RWA and margin compression.

Collaboration with other client segments



Aim: Increased collaboration with other client segments to generate cross-segment business opportunities.

Analysis: Added 132,000 new Employee Banking account sign-ups from Corporate & Institutional Banking Clients.

Segment overview

Corporate & Institutional Banking supports clients with their transaction banking, corporate finance, financial markets and borrowing needs across more than 50 markets, providing solutions to over five thousand clients in some of the world's fastest-growing economies and most active trade corridors.

Our clients include large corporations, governments, banks and investors operating or investing in Asia, Africa, the Middle East, Europe and Americas. Our strong and deep local presence across these markets enables us to connect our clients multilaterally to investors, suppliers, buyers and sellers to enable them to move capital, manage risk, invest to create wealth, and co-create to provide bespoke financing solutions.

We collaborate increasingly with other segments, introducing Commercial Banking services to our clients' ecosystem partners – their networks of buyers, suppliers, customers and service providers – and offering our clients' employees banking services through Retail Banking.

Finally, we are committed to sustainable finance, delivering on our ambitions to increase support and funding for financial products and services that have a positive impact on our communities and environment.

Strategic priorities

- → Deliver sustainable growth for clients by leveraging our network to facilitate trade, capital and investment flows across our footprint markets
- → Generate high-quality returns by growing capital-lite income, driving balance sheet velocity and improving funding quality while maintaining risk controls
- → Partner with strategically selected third parties to expand capabilities and to access new clients
- → Deliver a true frictionless cross-product digital banking experience to our clients through our integrated client portal, open banking and API solutions
- → Accelerate Sustainable Finance products to our clients through product innovation and enabling transition to a low carbon future

Progress

- → Quality of income continues to improve driven by capital-lite[2] income up 9 per cent and Network income up 6 per cent; Network contributes to 69 per cent of total CIB segment income
- → Maintained balance sheet quality with investment-grade clients representing 57 per cent of customer loans and advances (2018: 63 per cent) and high-quality operating account balances improving to 60 per cent of Transaction Banking customer balances (2018: 49 per cent)
- → Strengthened focus on digital client experience, investments and talent pool by establishing Digital Channels and Client Data Analytics division
- → Digitised c.3,000 client entities and increased S2B NextGen[3] client transaction volumes from 1 per cent to 32 per cent of total transaction volume
- → Resilient performance driven by diversified product suite and expanded client solutions delivering growth despite challenging geopolitical and macroeconomic conditions across footprint markets

Performance highlights

- → Underlying operating profit before taxation of $2,318 million was up 12 per cent, primarily driven by higher income and prudent cost management
- → Underlying operating income of $7,185 million was up 5 per cent primarily driven by Financial Markets and Cash Management
- → Good balance sheet momentum with loans and advances to customers up 7 per cent
- → Proportion of low returning client RWA at 13.8 per cent (2018: 15.5 per cent)
- → Underlying RoTE up 110 bps to 8.5 per cent

1 Perennial sub-optimal clients are clients who have returned below 3 per cent RoRWA for the past three years

2 Capital-lite income refers to products with low RWA consumption or of a non-funded nature. This mainly includes Cash Management and FX products

3 Our next generation transaction banking digital platform

DRIVING INNOVATION

Co-created a Ready to Trade (RTT) Bot with Blackrock Inc.

During the year, we co created RTT chatbot, an industry leading and award winning solution, built on the Symphony platform to address the challenges of highly manual processes that complicate client onboarding. The Bot responds to fundamental pre trade questions, eliminating the need for labour intensive resources whilst reducing turnaround time. The solution positions Standard Chartered at the forefront of the digital transformation across the industry while equipping clients and staff with tools that make doing business with us faster and easier.

Retail Banking

At a glance

Profit before taxation

$1,083m ↑ 5%
underlying basis

$1,020m ↑ 6%
statutory basis

Risk-weighted assets

$44bn ↑ $2bn

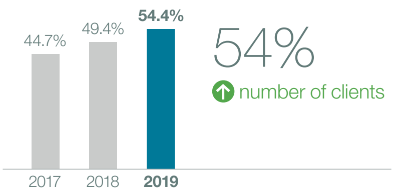
Return on tangible equity (RoTE)

12.6% ↑ 80bps
underlying basis

11.8% ↑ 80bps
statutory basis

KPIs

Digital adoption

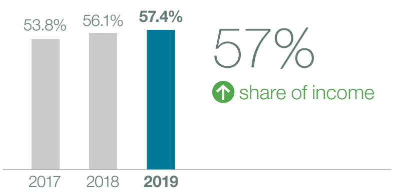


54%
↑ number of clients

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

Analysis: Online applications have continued to grow year-on-year with the proportion of Retail Banking clients that are digitally active up from 49 per cent in 2018 to 54 per cent at the end of 2019.

Priority & Premium client focus



57%
↑ share of income

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

Analysis: The share of Retail Banking income from Priority and Premium clients increased from 56 per cent in 2018 to 57 per cent in 2019, supported by over 110,000 new-to-bank Priority clients in the year.

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 with services spanning 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 one-quarter of the Group's 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 Retail Banking provides a high-quality liquidity source for the Group.

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

Strategic priorities

- Invest in our affluent and emerging affluent clients with a focus on Wealth Management and Deposits to capture the significant rise of the middle class in our markets
- 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 the share of income from Premium and Priority clients from 56 per cent in 2018 to 57 per cent as a result of strong Wealth Management and Deposit income growth and increasing client numbers
- Launched the Côte d'Ivoire digital banking model across eight other markets in the Africa & Middle East region: Kenya, Uganda, Tanzania, Ghana, Botswana, Zambia and Zimbabwe and Nigeria
- Successful application for HK digital bank licence in partnership with PCCW, HKT and Ctrip Finance which will redefine customer experience of banking services
- Launched real-time on-boarding (RTOB) for Credit Cards and Personal Loans (CCPL) in India in addition to saving account launch a year earlier, enabling more efficient credit cards and personal loan applications with significantly improved customer experience. RTOB launched in three new markets: Singapore, Malaysia and UAE
- Driving affluent growth with Priority Private launched in five markets: Singapore, Malaysia, Taiwan, China and Hong Kong, which is a key lever to accelerate Priority Banking growth
- Premium Banking, which serves emerging affluent clients and serves as feeder to Priority growth, now launched in 10 markets: Hong Kong, Korea, China, Singapore, India, Malaysia, UAE, Kenya, Pakistan and Taiwan
- A further improvement in digital adoption, with 54 per cent of clients now actively using online or mobile banking compared with 49 per cent in 2018

Performance highlights

- Underlying operating profit before taxation of $1,083 million was 5 per cent higher, as higher income more than offset higher credit impairment
- Underlying operating income of $5,171 million was up 3 per cent (up 5 per cent on a constant currency basis). Growth of 4 per cent (up 6 per cent on a constant currency basis) in Greater China & North Asia, 6 per cent (up 8 per cent on a constant currency basis) in ASEAN & South Asia and a 9 per cent decline (down 3 per cent on a constant currency basis) in Africa & Middle East
- Strong income momentum growth of 12 per cent from Deposits with improved margins and balance growth. Together, Wealth Management and Deposits income, representing 64 per cent of Retail Banking income, grew 7 per cent
- Underlying RoTE improved to 12.6 per cent from 11.8 per cent

DIGITAL TRANSFORMATION

Making digital leaps and bounds in South Korea

We chose South Korea, one of the most advanced markets in terms of digital technology adoption, as our test bed for a new mobile platform concept. After extensive research and user testing, we brought together global, regional and local teams to collaborate with select partners to develop the next generation of our mobile application. We became the first bank in the market to use open banking, which enables clients to view their finances from 19 other banks in one place in our application. The response from clients has been extremely positive mobile adoption increased by 28 per cent and digital sales were up by more than 50 per cent in the first six months. We will now roll out the application across our top markets.

Commercial Banking

At a glance

Profit before taxation

$448m ↑ 100%
underlying basis

$437m ↑ 106%
statutory basis

Risk-weighted assets (RWA)

$28bn ↓ $2bn

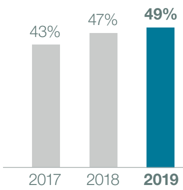
Return on tangible equity (RoTE)

7.3% ↑ 390bps
underlying basis

7.2% ↑ 400bps
statutory basis

KPIs

Capital-lite income

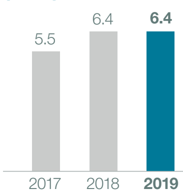


49%
↑ share of total income

Aim: Reshape the income mix towards capital-lite income.

Analysis: Share of capital-lite income increased from 43 per cent in 2017 to 49 per cent in 2019 driven by Cash Management. We have set up dedicated liabilities team in key markets and continue to focus on cash rich sectors, non-borrowing clients and FX cross-sell opportunities.

New to bank clients on-boarded ('000)



6.4k
↑ number of clients

Aim: Building scale by on-boarding new to bank clients.

Analysis: We maintain strong momentum in the on-boarding of new to bank clients, while monetising clients on-boarded in prior years. Clients on-boarded in the past two years helped us generate c.$190 million additional income on approximately $5 billion additional liabilities in 2019.

Segment overview

Commercial Banking serves over 45,000 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 existing clients and on-boarding new clients, focusing on rapidly growing and internationalising companies
- Improve balance sheet and income mix, accelerating utilisation of growth in Cash Management and FX products
- Continue to enhance capital allocation discipline and Credit Risk management
- Improve client experience, leveraging technology and investing in frontline training, tools and analytics

Progress

- Delivered 6 per cent income growth while reducing RWA consumption (down 8 per cent) and maintaining cost discipline (down 2 per cent)
- Onboarded over 6,400 new clients in 2019, which helped generate $75 million additional income and $3 billion additional Cash liabilities
- Grew Network income 18 per cent year-on-year, notably from clients in India and China, as we continue to help our Commercial Banking clients capture international opportunities
- Continued to reshape business mix towards capital-lite products: Cash Management and FX income up 8 per cent year-on-year accounting for 44 per cent of total income, while Cash operating account balances grew 11 per cent year-on-year
- Strengthened origination discipline and improved asset quality: RWA efficiency[1] improved to 68 per cent in 2019 from 74 per cent in 2018; impairments reduced 50 per cent primarily from lower stage 3 assets
- Continued to improve client experience: reduced client turnaround time from eight days to five days
- Leveraging partnerships with Linklogis and SAP Ariba (world's largest digital business network) to make our supply chain financing solutions easily accessible to new clients

Performance highlights

- Underlying operating profit before taxation of $448 million was up 100 per cent driven by income growth combined with lower costs and impairments
- Underlying operating income of $1,478 million was up 6 per cent mainly from growth in Cash Management, Financial Markets and Lending
- ASEAN & South Asia and Africa & Middle East income was up 7 per cent and 14 per cent respectively, partially offset by subdued income growth in Greater China & North Asia, up 2 per cent, impacted by lower trade
- Underlying RoTE improved from 3.4 per cent to 7.3 per cent

INNOVATIVE FINANCING

Harnessing offshore wind in Taiwan

We are committed to supporting the renewable energy market in Taiwan. In 2019, we facilitated the financing of the landmark Yunlin Offshore Wind Farm, the largest offshore wind farm in Asia Pacific. We were able to draw on our experience in export financing, the Taiwanese dollar financial markets and the wind farm sector in Taiwan to support the transaction. The 80 turbine, 640 MW farm represents our first financing deal for a greenfield offshore wind farm. It will prevent 31 million tonnes of carbon emissions over its 25 year life and support Taiwan s shift away from coal towards renewable energy.

1 RWA efficiency is derived as credit RWA divided by assets and contingents

Private Banking

At a glance

Profit before taxation

$94m ↑ nm

underlying basis

$83m ↑ nm

statutory basis

Risk-weighted assets (RWA)

$6bn ↑ $1bn

Return on tangible equity (RoTE)

7.3% ↑ 830bps

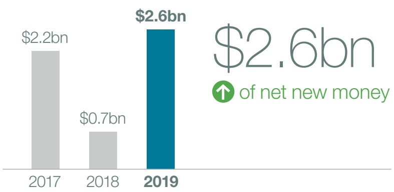
underlying basis

6.4% ↑ 940bps

statutory basis

KPIs

Net new money



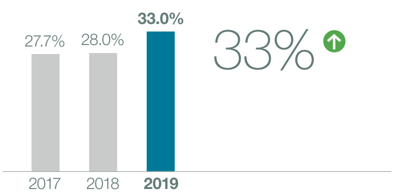
$2.6bn

↑ of net new money

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

Analysis: We added $2.6 billion of net new money in 2019, delivering positive inflows for the third consecutive year since 2016

Net client score for ease of doing business



33% ↑

Aim: Improve the Private Banking client experience through all touch points with the Group.

Analysis: Launched in 2016, the annual Private Banking client satisfaction survey reviews multiple dimensions of client sentiment and measures our progress in putting client needs at the heart of everything we do. Consequently, in 2019, our net client score rose to 33 per cent compared with 28 per cent in 2018.

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 Europe, 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

- Leverage the significant wealth creation and wealth transfers taking place in our markets to achieve greater scale in the business
- Make it easier for clients to access products and services across the Group. Improve clients' experience and grow the share of our clients' assets under management by enhancing our advisory proposition and reducing the turnaround time of the investment process
- Implement a rigorous controls enhancement plan to balance growth and controls

Progress

- Deepened client engagement with our target client base (over $5 million in AUM) by improving our 'Relationship Management, Investment Advisory and Product Specialist' coverage model leading to a growing revenue contribution from these clients
- Continued to further enhance our open architecture derivatives platforms through full automation and straight through processing of the transactions. Our FX platform won the *Financial Times'* 'Best initiative of the year in relationship management technology, Asia' award
- Prioritised investments in user-centric technology such as the development of the 3rd generation relationship manager facing market insights portal, ADVICE
- Improved ease of doing business for clients by re-engineering key client-facing processes such as client on-boarding
- Further strengthened the stability and resilience of our business through timely execution of our control enhancement programme
- Launched our Impact Philosophy as a key pillar of our approach to sustainable finance (outlined to the right)

Performance highlights

- Underlying operating profit before taxation of $94 million is driven by a net $31 million release in credit impairment and an improvement in top-line growth
- Underlying operating income of $577 million was up 12 per cent, making a third consecutive year of top-line growth. Income increase was mainly driven by higher Wealth-products income (up 19 per cent)
- Assets under management increased $8 billion or 14 per cent year-on-year, mainly driven by $2.6 billion of net new money and positive market movements
- Underlying RoTE increased 830bps to 7.3 per cent

IMPACT FINANCE

Launch of Impact Philosophy

Standard Chartered Private Bank launched its Impact Philosophy, offering high net worth clients a robust roadmap for using their resources to drive impact, including global metrics in line with the global Impact Reporting and Investment Standards (IRIS). This was rolled out to clients in Q1 2019, and allows us to engage them in structured conversations pertaining to driving impact, similar to an investment advisory conversation. In 2019, the private bank also launched ESG ratings in its equity and fixed income trades notes, providing clients an additional data point for decision making.

Greater China & North Asia

Profit before taxation

$2,432m ↑ 3%

underlying basis

$2,294m ↑ 1%

statutory basis

Risk-weighted assets

$86bn ↑ $5bn

Loans and advances to customers

Income split by key markets

Region overview

Greater China & North Asia generated the largest share of the Group's income in 2019, at 40 per cent, and includes our clients in Hong Kong, Korea, Mainland 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 global footprint and strong regional presence, distinctive proposition and continued investment position us strongly to capture opportunities as they arise from the continuing opening up of China's economy.

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

Strategic priorities

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

Progress

- Actively participated in the opening of China's capital markets, helping overseas investors do business through channels such as Bond Connect, Stock Connect and the Qualified Domestic Institutional Investor initiative, awarded 'Top Custodian, Active Bank and Top Dealer' by Bond Connect Awards, 26 per cent market share through Bond Connect
- Continuing good progress in Retail Banking in Hong Kong. We attracted over 50,000 new Priority clients during the year, up 22 per cent and increased our active qualified Priority clients by 12 per cent
- We were granted a virtual banking licence from the Hong Kong Monetary Authority on 27 March 2019; one of the first to receive a licence under Hong Kong's new virtual banking scheme and teamed up with PCCW, HKT and Ctrip Finance
- Continued to optimise the Korea franchise to improve returns and focus on China's opening. China is the top network income contributor to the rest of the region and Group

Performance highlights

- Underlying operating profit before taxation of $2,432 million was up 3 per cent, with steady income growth despite the challenges of the ongoing social unrest in Hong Kong and the extended US-China trade tensions. Expenses were broadly flat, partially offset by higher credit impairment
- Underlying operating income of $6,155 million was up 2 per cent on a constant currency basis, with strong growth across Retail Deposits, Financial Markets and Wealth Management, partially offset by a weaker Treasury income performance
- Retail Banking income grew 4 per cent, driven by Deposits with improving margins and strong balance sheet growth partly offset by a subdued performance in Wealth Management. Private Banking income was up 27 per cent, driven by a strong Wealth Management performance. Corporate & Institutional Banking and Commercial Banking income grew 2 per cent each, mainly through strong Cash Management and Financial Markets performances, partly offset by lower Corporate Finance and unfavourable debit valuation adjustment within Financial Markets
- Balance sheet momentum was sustained with loans and advances to customers up 7 per cent and customer accounts up 4 per cent

CASE STUDY

Financing a sustainable future of shipping

We successfully closed an $80.8 million Senior Secured Facility to SITC International Holding Company Limited (SITC) in June 2019. Two of the vessels financed by the facility are eco friendly container ships to be delivered by Yangzijiang Shipbuilding Group. These vessels have adopted an eco-design approach to deliver high fuel efficiency and reduced emissions. This is fully aligned with the Group s Sustainable Finance initiative taking into account environmental, social and governance (ESG) considerations.

As a bank, we recognise that our role in the global shipping industry enables us to deliver responsible finance to promote environmental stewardship throughout the maritime industry value chain. Zero emission vessels will need to enter the global fleet by 2030. This transaction demonstrates that we are not only serving both our clients and institutions to improve decision making at a strategic level but will also shape a better future for the global shipping industry.

ASEAN & South Asia

Profit before taxation

$1,025m ↑ 6%

underlying basis

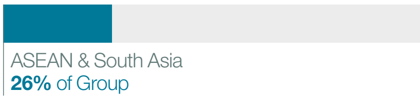
$1,039m ↓ 3%

statutory basis

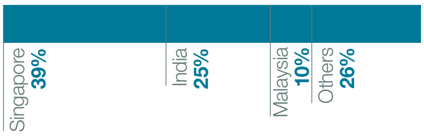
Risk-weighted assets (RWA)

$89bn ↑ $1bn

Loans and advances to customers



Income split by key markets



Region overview

The Group has a long-standing and deep franchise across the ASEAN & South Asia region. As the only international bank present in all 10 ASEAN countries and with meaningful operations across many key South Asian markets, we are in a strong position to be the 'go-to' banking partner for our clients. The two markets in the region contributing the highest income are Singapore and India, where we have had a deep-rooted presence for more than 160 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 operations, as well as SC Ventures, our innovation hub.

The strong underlying economic growth in the ASEAN & South Asia region enables us to help our clients achieve their growth ambitions and sustainably improve returns. The region is benefiting from rising trade flows, including activity generated from the Belt & Road initiative, continued strong investment and a rising middle class which is driving consumption growth and improving digital connectivity.

Strategic priorities

- Leverage the strength of our international network to support our clients' cross-border trade and investment activities across the high-growth ASEAN and South Asia corridors
- Deliver comprehensive client propositions in key markets (Singapore, India, Malaysia and Bangladesh) and a targeted offering in other high-growth markets such as Indonesia and Vietnam
- Continue to invest in technology and digital capabilities to enhance client experience and build scale efficiently
- Improve capital efficiency and sharpen our investments in higher-returning businesses
- Continue to reshape our India and Indonesia franchises to improve returns

Progress

- Strong broad-based growth in income and operating profit, all client segments and majority of our markets grew versus prior year
- Double-digit income growth in Priority Banking and attracted 12,000 new clients through differentiated propositions and advisory led approach
- Investments in network bankers and tailored client solutions delivered double-digit growth in the Global Subsidiaries business
- Instant client on-boarding and digitisation of service journeys have improved productivity and accelerated digital adoption amongst Retail Banking clients
- Steady progress in our optimisation markets: India saw double-digit income growth and cost-to-income ratio improved to 65 per cent; Indonesia grew income by 5 per cent as we pivoted our focus towards Wealth Management and flow businesses

Performance highlights

- Underlying operating profit before taxation grew by 6 per cent to $1,025 million, underpinned by 6 per cent income growth and well-managed costs, offset by higher credit impairment; Singapore, our largest profit contributor grew 33 per cent
- Underlying operating income of $4,213 million is 6 per cent higher, with double-digit income growth in Corporate & Institutional Banking and high single-digit growth in Commercial, Retail and Private Banking
- Retail current and savings accounts grew by 11 per cent; Transaction Banking cash liabilities grew by 12 per cent and we reduced our Corporate Time Deposits to optimise our cost of funds. RWA growth controlled at 1 per cent

CASE STUDY

Industry-first digital incentive programme

We partnered with Castrol India Limited, one of India s leading lubricant players, to digitise the way its mechanics and retailers receive incentive payments. Using the new mobile platform, they can scan QR codes on lubricant products and receive their payments instantaneously, instead of relying on physical coupons which often took months to process. In 2019, Castrol facilitated 100,000 incentive coupons daily for rewards aggregating $857,000 a month. This innovation encourages digital upskilling in a traditionally manual field, promotes financial inclusivity, and enhances the level of trust and transparency with which Castrol engages with its customers.

Africa & Middle East

Profit before taxation

$684m ↑ 29%

underlying basis

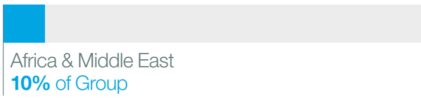
$666m ↑ 54%

statutory basis

Risk-weighted assets

$49bn ↓ $4bn

Loans and advances to customers



Income split by key markets

Region overview

We have a deep-rooted heritage of over 160 years in Africa & Middle East and are present in 25 markets, of which the UAE, Nigeria, Pakistan and Kenya are the largest by income. We are present in the largest number of sub-Saharan African markets of any international banking group.

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 China's Belt and Road initiative and we are well placed to facilitate these flows.

Macroeconomic and geopolitical headwinds in 2019 have impacted income momentum across both the Middle East and Africa; however, 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

- Provide best-in-class structuring and financing solutions and drive origination through client initiatives
- Invest to accelerate growth in differentiated international network and affluent client businesses
- Invest in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets; continue with our retail transformation agenda to recalibrate our network and streamline structures
- De-risk and improve the quality of income with continuous focus on return enhancements

Progress

- A number of marquee transactions across the region are reflective of the strong client franchise
- Network income was 9 per cent higher and the Group's Global Subsidiaries business grew by 3 per cent
- After a successful launch of a digital-only bank in Côte d'Ivoire in the first half of 2018, roll-out was extended to eight additional markets (Uganda, Tanzania, Ghana, Kenya, Zimbabwe, Botswana, Zambia and Nigeria)
  - Across these nine markets, customer acquisition has trebled
  - Account funding rates for most markets are relatively healthy and customer feedback has been good
  - Practically a 'zero touch' platform, with account opening and servicing without the need to visit a branch
  - This efficiency has translated into a more targeted branch footprint, allowing us to reduce our number of branches by one-third in the last two years
- Despite continued geopolitical and macroeconomic headwinds, improved asset quality and good risk discipline led to lower credit impairments
- Cost efficiencies have allowed investments to continue through the cycle

Performance highlights

- Underlying operating profit before taxation of $684 million was 29 per cent higher with lower expenses and improved credit impairment partially offset by a 2 per cent decrease in income
- Underlying operating income of $2,562 million was down 2 per cent but up 3 per cent on a constant currency basis, with a good performance in our Financial Markets business across the region. Middle East, North Africa and Pakistan were flat, and Africa was down 3 per cent
- Strong performances in Financial Markets and Corporate Finance were offset by margin compression in Retail Banking and lower Wealth Management in UAE
- Loans and advances to customers were up 5 per cent and customer accounts were down 2 per cent

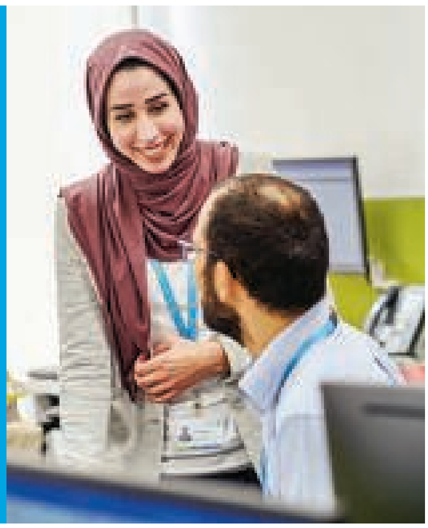
CASE STUDY

Infrastructure and clean tech

In 2019, we provided a $2.4 billion project finance facility for the development, construction, operation and maintenance of a 700MW concentrated solar power (CSP) and 250MW photovoltaic plant in Dubai.

The project will provide clean energy to over 320,000 residences in Dubai, while reducing 1.4 million tonnes of carbon emissions a year. Standard Chartered acted as mandated lead arranger, documentation bank, pre hedging bank, offshore account bank, intercreditor agent, and offshore security trustee.

The project is our first CSP financing in the region and the largest limited recourse project finance deal in Dubai. It is also the largest regional investment into the renewable sector for a single project.



Europe & Americas

Profit before taxation

$157m ↑ 2%
underlying basis

$123m ↑ 24%
statutory basis

Risk-weighted assets

$44bn ↑ $3bn

Loans and advances to customers

Europe & Americas
20% of Group

Income split by key markets

UK **44%**
US **44%**
Others **12%**

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. Our extensive expertise in working across our footprint in Asia, Africa and the Middle East allows us to offer our clients unique network and product capabilities.

The region is a significant 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. The business we do across the Group with clients based in Europe & Americas therefore generates above average returns.

Our Private Banking business focuses on serving clients with linkages to our footprint markets.

Strategic priorities

- Continue to attract new international corporate and financial institutional clients and deepen relationships with existing and new clients and banking them across more markets in our network, connecting them to the fastest growing and highest potential economies in the world
- Scale up our continental European business, leveraging significant trade corridors with Asia and Africa
- 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
- Leverage our network capabilities as new e-commerce based industries grow internationally

Progress

- Strong progress in improving the share of business from targeted CIB Priority clients, with income up 9 per cent from 'Top 100', 'Next 100' and 'New 90' client initiatives
- Continued growth in our key Greater China, ASEAN and South Asia corridors providing high network returns from Europe & Americas clients
- Standard Chartered Bank AG (Germany) is operational and positioned to support our clients in all Brexit scenarios
- Launched Sustainable Finance business and issued inaugural sustainable bond focused on emerging markets

Performance highlights

- Underlying operating profit before taxation of $157 million improved 2 per cent driven by higher income, partially offset by higher costs and impairments
- Underlying operating income of $1,725 million was up 3 per cent largely due to improved sales and trading performance in Financial Markets and higher income in Cash and Treasury. There was a year-on-year reduction in income of $108m from a swing in the debit valuation adjustment (DVA) due to an improvement in the Group's own Credit Risk
- Income generated by Europe & Americas clients, but booked elsewhere in our network, increased by 6 per cent
- Loans and advances to customers grew 10 per cent year-on-year and customer accounts grew 7 per cent

CASE STUDY

Launching our first Sustainability Bond

Standard Chartered successfully issued its first Sustainability Bond, focused on emerging markets, a landmark transaction that was over six times subscribed.

At EUR 500 million, the proceeds of the bond will be used to provide finance in areas aligned with the United Nations Sustainable Development Goals (SDGs) including clean energy projects, smaller business lending and microfinance loans helping drive employment, growth and prosperity across emerging markets.

While 90 per cent of SDG financing needs are covered in developed countries, only 60 per cent of the investment needs are addressed in emerging and developing regions, and as low as 10 per cent in Africa. Our unique network and Here for good brand promise positions us well to address this problem.

Since the issuance of our inaugural Sustainability Bond, we have continued to innovate new Sustainable products, including the completion of our first LMA Green Loan Compliant trade financing, which was the first of its kind in the market.

Group Chief Financial Officer's review

An encouraging and resilient performance

Summary of financial performance

The Group delivered a resilient performance in 2019 notwithstanding an unusual combination of geopolitical and macroeconomic challenges that impacted some of its largest markets. Income grew at a faster rate than costs, profitability and return on tangible equity improved, capital and liquidity levels remain strong, and the balance sheet is growing.

All commentary that follows is on an underlying basis and comparisons are made to full-year 2018 on a reported currency basis, unless otherwise stated. A full reconciliation between statutory and underlying results is set out on page 59 of the Annual Report.

- **Operating income** grew 2 per cent or 4 per cent on a constant currency basis
- **Net interest income** decreased 2 per cent with increased volumes more than offset by a reduction in net interest margin
- **Other income** increased 6 per cent with a particularly strong performance in Financial Markets
- **Operating expenses** excluding the UK bank levy were down 1 per cent or up 1 per cent on a constant currency basis, with tight control of costs generating positive income-to-cost jaws of 3 per cent. The cost-to-income ratio (excluding the UK bank levy) improved 2 percentage points to 66 per cent. The Group will continue to invest in its strategic priorities while – as previously guided – targeting cost growth below the rate of inflation and positive jaws. The **UK bank levy** rose $23 million to $347 million
- **Credit impairment** increased by $166 million to $906 million. This was driven mainly by a $275 million increase in stage 1 and 2 impairments, around half of which related to a deterioration in macroeconomic variables, which includes the downward revision to Hong Kong GDP in the second half of the year. Impairments of stage 3 assets decreased by $109 million, despite a $141 million charge booked in the fourth quarter relating to a single client exposure in ASEAN & South Asia. Credit impairment of $906 million represents a loan-loss rate of 27 basis points (2018: 21 basis points) and remains at an historically low level

Andy Halford
Group Chief Financial Officer

- **Other impairment** reduced by $110 million to $38 million following the Group's decision to discontinue its ship leasing business, with the related impairment now recorded as a restructuring charge and excluded from underlying results
- **Profit from associates and joint ventures** was up 5 per cent with continued good performance at China Bohai Bank partially offset by the exclusion from underlying performance of the Group's share of PT Bank Permata Tbk's earnings
- **Profit before tax** improved 8 per cent or 10 per cent on a constant currency basis. Charges relating to restructuring, provisions for regulatory matters and other items decreased $850 million to $459 million, primarily driven by a reduction in regulatory provisions. The resolution of previously disclosed investigations in the UK and US into historical sanctions and financial crime control issues included monetary penalties of $1,086 million, of which $186 million was provided for in the current year. Including these items, statutory profit before tax increased 46 per cent
- **Taxation** was $1,373 million on a statutory basis including a $179 million capital gains tax charge arising from the changes in legal entity structure to create a capital and liquidity hub in the Greater China & North Asia region. The underlying effective tax rate was 29.3 per cent, a decrease of 5.3 percentage points reflecting a greater proportion of profits from markets with lower tax rates and a reduction in non-deductible expenses
- **Underlying return on tangible equity** improved by 130 basis points to 6.4 per cent, reflecting the increase in underlying profit and the reduction in tangible equity following the completion of the $1 billion share buy-back programme
- **Underlying basic earnings per share (EPS)** increased 23 per cent and statutory EPS trebled
- A final **ordinary dividend** per share of 20 cents has been proposed by the Board which would result in a full-year dividend of 27 cents, an increase of 6 cents or 29 per cent

	2019 $million	2018 $million	Change %	Constant currency change %[2]
Net interest income[1]	**7,698**	7,840	(2)	
Other income[1]	**7,573**	7,128	6	
Underlying operating income	**15,271**	14,968	2	4
Other operating expenses	**(10,062)**	(10,140)	1	(1)
UK bank levy	**(347)**	(324)	(7)	
Underlying operating expenses	**(10,409)**	(10,464)	1	(2)
Underlying operating profit before impairment and taxation	**4,862**	4,504	8	10
Credit impairment	**(906)**	(740)	(22)	
Other impairment	**(38)**	(148)	74	
Profit from associates and joint ventures	**254**	241	5	
Underlying profit before taxation	**4,172**	3,857	8	10
Provision for regulatory matters	**(226)**	(900)	75	
Restructuring	**(254)**	(478)	47	
Other items	**21**	69	(70)	
Statutory profit before taxation	**3,713**	2,548	46	49
Taxation	**(1,373)**	(1,439)	5	
Profit for the period	**2,340**	1,109	111	113
Net interest margin (%)[1]	**1.62**	1.69		
Underlying return on tangible equity (%)	**6.4**	5.1		
Underlying earnings per share (cents)	**75.7**	61.4		
Statutory return on tangible equity (%)	**4.8**	1.6		
Statutory earnings per share (cents)	**57.0**	18.7		

1 The Group has changed its accounting policies for net interest income, net trading income and net interest margin. Prior period has been restated. Refer to Note 1 to the financial statements

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

Operating income by product

	2019 $million	2018 $million	Change %
Transaction Banking	**3,849**	3,718	4
Trade	**1,100**	1,123	(2)
Cash Management	**2,406**	2,262	6
Securities Services	**343**	333	3
Financial Markets	**2,916**	2,612	12
Foreign Exchange	**1,128**	1,001	13
Rates	**696**	555	25
Commodities	**165**	192	(14)
Credit and Capital Markets	**577**	324	78
Capital Structuring Distribution Group	**329**	309	6
DVA	**(100)**	77	nm[3]
Other Financial Markets	**121**	154	(21)
Corporate Finance[1,2]	**1,143**	1,186	(4)
Lending and Portfolio Management[2]	**792**	755	5
Wealth Management	**1,878**	1,799	4
Retail Products	**3,849**	3,750	3
CCPL and other unsecured lending	**1,251**	1,310	(5)
Deposits	**1,982**	1,782	11
Mortgage and Auto	**508**	573	(11)
Other Retail Products	**108**	85	27
Treasury	**1,090**	1,223	(11)
Other	**(246)**	(75)	nm[3]
Total underlying operating income	**15,271**	14,968	2

1 In December 2018 it was decided to discontinue the ship operating lease business and any future profits and losses will be reported as restructuring. Prior periods have not been restated

2 There has been a reorganisation of certain product teams between Corporate Finance and Lending and Portfolio Management. Prior periods have been restated

3 Not meaningful

Group Chief Financial Officer's review continued

Transaction Banking income grew 4 per cent with strong performance in Cash Management on the back of improved margins and increased volumes. Growth in Securities Services was offset by a 2 per cent decline in Trade.

Financial Markets income grew 12 per cent benefiting from market volatility and increased hedging and investment activity by clients. There was strong double-digit growth in Credit and Capital Markets and Rates and double-digit growth in Foreign Exchange partly offset by a negative $177 million movement in the Debit Valuation Adjustment, of which a negative $118 million movement occurred in the fourth quarter of 2019.

Corporate Finance income was down 4 per cent impacted by the Group's decision to discontinue its ship leasing business, with the related income now recorded as restructuring and excluded from underlying results. Excluding the impact of this decision, Corporate Finance income was up 2 per cent.

Lending and Portfolio Management income was up 5 per cent with improved margins and increased volumes in Corporate Lending.

Wealth Management income grew 4 per cent – despite more challenging market conditions – primarily from growth in FX, fixed income and structured products.

Retail Products income grew 3 per cent or 5 per cent on a constant currency basis with continued growth in Deposits from improved margins and increased volumes partly offset by margin compression in Mortgages and Credit Cards & Personal Loans.

Treasury income reduced 11 per cent with the impact of interest rate movements within the Treasury Markets portfolio partly offset by $122 million favourable movement in hedge ineffectiveness.

Other products income of negative $246 million includes increased funding costs reflecting the impact of adopting IFRS 16.

Profit before tax by client segment and geographic region

	2019 $million	2018 $million	Change %
Corporate & Institutional Banking	**2,318**	2,072	12
Retail Banking	**1,083**	1,033	5
Commercial Banking	**448**	224	100
Private Banking	**94**	(14)	nm[1]
Central & other items (segment)	**229**	542	(58)
Underlying profit before taxation	**4,172**	3,857	8
Greater China & North Asia	**2,432**	2,369	3
ASEAN & South Asia	**1,025**	970	6
Africa & Middle East	**684**	532	29
Europe & Americas	**157**	154	2
Central & other items (region)	**(126)**	(168)	25
Underlying profit before taxation	**4,172**	3,857	8

1 Not meaningful

Corporate & Institutional Banking improved its profit by 12 per cent and was the largest contributor to the overall Group's profit before tax, from a client segment perspective. **Commercial Banking** doubled its profit and **Retail Banking's** grew by 5 per cent. **Private Banking** generated a profit of $94 million up from an operating loss of $(14) million in 2018. The improved profitability of the client segments was partly offset by a 58 per cent reduction in the profit generated by Central & other items (segment) due to lower Treasury income from higher rates internally paid on liabilities and one-off liquidity requirements.

Greater China & North Asia was the largest regional contributor to the overall Group's profit before tax, and grew profit by 3 per cent. **Africa & Middle East** was the fastest growing region, with profit up 29 per cent. **ASEAN & South Asia** generated 6 per cent growth, while profit in **Europe & Americas** improved 2 per cent. The loss incurred by Central & other items (region) decreased by $42 million to $126 million with higher external debt costs offset by a favourable change in hedge ineffectiveness and increased internal capital charges.

Adjusted net interest income and margin

	2019 $million	restated 2018[1] $million
Adjusted net interest income	**8,007**	8,032
Average interest-earning assets	**494,756**	476,114
Average interest-bearing liabilities	**444,595**	430,167
Gross yield (%)	**3.34**	3.18
Rate paid (%)	**1.92**	1.65
Net yield (%)	**1.42**	1.53
Net interest margin (%)[2]	**1.62**	1.69[3]

1 The Group has changed its accounting policies for net interest income and net trading income. Prior periods have been restated. Refer to Note 1 to the financial statements

2 Adjusted net interest income divided by average interest-earning assets

3 Restated as per Net interest margin, defined under Alternative performance measures in the Strategic report

The Group has changed its accounting policy for net interest income and the basis of preparation of its net interest margin to better reflect the underlying performance of its banking book. See Note 1 to the financial statements for further details.

Adjusted net interest income was flat with growth in interest-earning assets offsetting a 7 basis points reduction in net interest margin which averaged 162 basis points for the full year.

- Average interest-earning assets increased 4 per cent driven by an increase in investment securities balances and higher loans and advances to customers. Gross yields increased 16 basis points compared to the average in 2018 and predominantly reflected the flow-through of rises in global interest rates that occurred through 2018, partly offset by declining interest rates in the second half of 2019
- Average interest-bearing liabilities increased 3 per cent driven by growth in customer accounts. The rate paid on liabilities increased 27 basis points compared to the average in 2018 reflecting interest rate movements

The 7 basis point reduction in net interest margin was primarily driven by margin pressure on liabilities.

Credit risk summary

	2019[1] $million	2018[1,2] $million		
	Total	Ongoing business	Liquidation portfolio	Total
Gross loans and advances to customers[3]	**274,306**	261,216	1,769	262,985
Of which stage 1 and 2	**266,908**	254,445	86	254,531
Of which stage 3	**7,398**	6,771	1,683	8,454
Expected credit loss provisions	**(5,783)**	(5,054)	(1,374)	(6,428)
Of which stage 1 and 2	**(779)**	(838)	(4)	(842)
Of which stage 3	**(5,004)**	(4,216)	(1,370)	(5,586)
Net loans and advances to customers	**268,523**	256,162	395	256,557
Of which stage 1 and 2	**266,129**	253,607	82	253,689
Of which stage 3	**2,394**	2,555	313	2,868
Cover ratio of stage 3 before/after collateral (%)	**68 / 85**	62 / 82	81 / 95	66 / 85
Credit grade 12 accounts ($million)	**1,605**	1,437	86	1,523
Early alerts ($million)	**5,271**	4,767	–	4,767
Investment grade corporate exposures (%)	**61**	62	–	62

1 Balances for 2019 and 2018 reflect interest due but unpaid together with equivalent credit impairment charge

2 2018 Stage 3 balances, provisions and cover ratios have been restated

3 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $1,469 million at 31 December 2019 and $3,151 million at 31 December 2018

Group Chief Financial Officer's review continued

The Group has changed its accounting policy to report interest in suspense for stage 3 exposures. This results in an increase in gross stage 3 exposures and provisions, with no change to net stage 3 assets. Prior period balances have been restated. See Note 1 to the financial statements for further details.

Asset quality overall was broadly stable in the year with credit impairment rising but remaining at historically low levels well below those seen in previous years. The Group remains vigilant considering significant volatility in some markets, with continuing geopolitical uncertainty and weakening economic forecasts. Reviews and stress tests of the Group's portfolio are carried out regularly to help identify then mitigate any risks that may arise. The actions to reduce exposures in the Group's former liquidation portfolio were substantially completed in 2018 so the remaining exposures are reported as part of the ongoing business in 2019.

Gross stage 3 loans and advances to customers of $7.4 billion were down 12 per cent compared with 31 December 2018. The reduction is due to repayments, write-offs and upgrades to stage 2 mainly in Corporate & Institutional Banking and Commercial Banking. These credit-impaired loans represented 2.7 per cent of gross loans and advances, a reduction of 0.5 percentage points compared with 31 December 2018.

The stage 3 cover ratio increased to 68 per cent from 66 per cent in 2018. The cover ratio post collateral was stable at 85 per cent.

Credit grade 12 balances increased 5 per cent since 31 December 2018 reflecting sovereign ratings downgrades in Zimbabwe, Zambia and Lebanon which impacted the ratings of certain accounts in those countries. Early alert accounts increased 11 per cent in the year due to the transfer in the fourth quarter of 2019 of a handful of unrelated clients that had been previously under review.

The proportion of investment grade corporate exposures has remained broadly stable at 61 per cent.

Restructuring and other items

	2019			2018		
	Provision for regulatory matters $million	**Restructuring $million**	**Other items $million**	Provision for regulatory matters $million	Restructuring $million	Other items $million
Operating income	–	146	–	–	(248)	69
Operating expenses	(226)	(298)	–	(900)	(283)	–
Credit impairment	–	(2)	–	–	87	–
Other impairment	–	(98)	(27)	–	(34)	–
Profit from associates and joint ventures	–	(2)	48	–	–	–
Profit/(loss) before taxation	**(226)**	**(254)**	**21**	(900)	(478)	69

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing underlying performance period-by period.

As previously disclosed, the Group expects to incur around $500 million of restructuring charges between 2019 and 2021 to execute its refreshed strategic priorities. Restructuring charges of $254 million for 2019 primarily related to redundancy provisions taken in the fourth quarter together with impairments related to the Group's discontinued ship leasing business. Other items of $21 million included profits from the Group's joint venture investment in Indonesia, which the Group has classified as held for sale having signed a conditional share purchase agreement to sell its 44.56 per cent equity interest, and goodwill impairment relating to the Group's subsidiaries in Sri Lanka, Nepal and Oman. The provision for regulatory matters primarily relates to the agreement to pay monetary penalties following the resolution of investigations into historical sanctions and financial crime control issues, described further in Note 26 to the financial statements.

Balance sheet and liquidity

	31.12.19 $million	31.12.18 $million	Increase/ (decrease) $million	Increase/ (decrease) %
Assets				
Loans and advances to banks	**53,549**	61,414	(7,865)	(13)
Loans and advances to customers	**268,523**	256,557	11,966	5
Other assets	**398,326**	370,791	27,535	7
Total assets	**720,398**	688,762	31,636	5
Liabilities				
Deposits by banks	**28,562**	29,715	(1,153)	(4)
Customer accounts	**405,357**	391,013	14,344	4
Other liabilities	**235,818**	217,682	18,136	8
Total liabilities	**669,737**	638,410	31,327	5
Equity	**50,661**	50,352	309	1
Total equity and liabilities	**720,398**	688,762	31,636	5
Advances-to-deposits ratio (%)[1]	**64.2%**	63.1%		
Liquidity coverage ratio (%)	**144%**	154%		

1 In calculating the advances-to-deposits ratio the Group now excludes $9,109 million held with central banks (2018: $7,412 million) that have been confirmed as repayable at the point of stress

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

- Loans and advances to customers increased 5 per cent since 31 December 2018 to $269 billion driven mainly by growth in Financial Markets, Corporate Lending and Mortgages
- Customer accounts of $405 billion increased 4 per cent since 31 December 2018 with an increase in operating account balances within Cash Management offset by a run-off in Corporate Term Deposits
- Other assets and other liabilities increased 7 per cent and 8 per cent respectively since 31 December 2018. The growth in other assets was driven by increased investment securities and reverse repurchase agreements partly offset by a reduction of cash balances at central banks. The growth in other liabilities reflects increased trading book liabilities and repurchase agreements

The advances-to-deposits ratio increased slightly to 64.2 per cent from 63.1 per cent at 31 December 2018 while the liquidity coverage ratio at year-end decreased 10 percentage points to 144 per cent, well above the minimum regulatory requirement.

Risk-weighted assets

	31 .12.19 $million	31.12.18 $million	Increase/ (decrease) $million	Increase/ (decrease) %
By risk type				
Credit Risk	**215,664**	211,138	4,526	2
Operational Risk	**27,620**	28,050	(430)	(2)
Market Risk	**20,806**	19,109	1,697	9
Total RWAs	**264,090**	258,297	5,793	2

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

Total risk-weighted assets (RWA) increased 2 per cent or $5.8 billion since 31 December 2018 to $264.1 billion.

- Credit Risk RWA increased $4.5 billion to $215.7 billion, with asset growth partially offset by RWA efficiencies, foreign currency translation and the partial sale of the Group's Principal Finance portfolio
- Market Risk RWA increased by $1.7 billion to $20.8 billion due to higher levels of Financial Markets activity and some policy and methodology changes
- Operational Risk RWA reduced by $0.4 billion primarily due to a decrease in average income as measured over a rolling three-year time horizon, with lower 2018 income replacing higher 2015 income

Total RWA increased at broadly the same rate in 2019 as income. The ongoing execution of organic and inorganic RWA optimisation initiatives supports the expectation that income growth will exceed RWA growth in the medium-term.

Group Chief Financial Officer's review continued

Capital base and ratios

	31.12.19 $million	31.12.18 $million	Increase/ (decrease) $million	Increase/ (decrease) %
CET1 capital	**36,513**	36,717	(204)	(1)
Additional Tier 1 capital (AT1)	**7,164**	6,684	480	7
Tier 1 capital	**43,677**	43,401	276	1
Tier 2 capital	**12,288**	12,295	(7)	–
Total capital	**55,965**	55,696	269	–
CET1 capital ratio end point (%)[1]	**13.8**	14.2		(0.4)
Total capital ratio transitional (%)[1]	**21.2**	21.6		(0.4)
UK leverage ratio (%)[1]	**5.2**	5.6		(0.4)

1 Change is percentage point difference between two points rather than percentage change

The Group remains well capitalised and highly liquid with all metrics above regulatory thresholds.

The Group's common equity tier 1 (CET1) ratio of 13.8 per cent was towards the top of the 13-14 per cent target range, 39 basis points lower than as at 31 December 2018. On an underlying basis CET1 rose 16 basis points as profits generated in the year were partly offset by credit and market RWA growth and higher dividends. This was offset by the impact of the $1 billion share buy-back, the costs of the legal entity restructuring in Greater China & North Asia and regulatory provisions.

The Group repurchased 116,103,483 ordinary shares for an aggregate consideration of approximately $1 billion between 2 May 2019 and 25 September 2019. The shares were subsequently cancelled, reducing the total issued share capital by 3.5 per cent.

The Board has decided to carry out a share buy-back for up to a maximum consideration of $0.5 billion to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the first quarter of 2020 by approximately 20 basis points.

The Group's UK leverage ratio of 5.2 per cent was down 38 basis points compared with 31 December 2018 as higher Tier 1 capital was offset by growth in the leverage exposure measure. The Group's leverage ratio is significantly above its minimum requirement of 3.7 per cent.

In the period the Group's Pillar 2A buffer increased from 2.9 to 3.4 per cent of which 1.9 per cent has to be held in CET1. The UK Financial Policy Committee and the Hong Kong Monetary Authority also announced changes to their counter-cyclical buffer rates with the UK increasing its rate from 1 per cent to 2 per cent with effect from 16 December 2020 and Hong Kong reducing its rate from 2.5 per cent to 2 per cent with effect from 14 October 2019. The changes to the counter-cyclical buffer rates are not expected to materially impact the Group's minimum CET1 requirements and it continues to target a CET1 ratio of 13-14 per cent.

The Board has recommended a final ordinary dividend of 20 cents per share which, together with the interim dividend of 7 cents per share, would result in a full-year ordinary dividend of 27 cents a share or $863 million, which represents a 29 per cent increase in the full-year ordinary dividend.

Outlook

The underlying momentum in the fourth quarter of 2019 continued in the opening weeks of 2020 but lower interest rates, slower global economic growth, a softer Hong Kong economy and the impact of the recent novel coronavirus (Covid-19) outbreak will likely result in income growth in 2020 below our medium-term 5-7 per cent target range. These headwinds are expected to be transitory, but we now believe it will take longer to achieve our RoTE target of 10 per cent than we previously envisaged.

We have improved our RoTE every year since 2015 and we are focused on doing so again in 2020 through a combination of positive income-to-cost jaws and continued discipline on returning surplus capital to shareholders. The Board has authorised the purchase and cancellation of up to $0.5 billion worth of shares starting shortly and will review the potential for making a further capital return upon the completion of the Permata sale.

Andy Halford
Group Chief Financial Officer

27 February 2020

OUR RESEARCH

Sharing insights on sustainability, trade and wealth with our clients

We recently published three reports providing insights for clients on opportunities for investment in the UN's Sustainable Development Goals (SDGs), how global markets are opening for trade, and the gap between wealth aspirations and reality among affluent consumers in our footprint.

Highlighting the SDG investment opportunity

The private sector has a critical role to play in meeting the SDGs over the next decade. Spanning 15 of the world's fastest-growing economies, our Opportunity2030 report reveals an almost $10 trillion opportunity for private-sector investors across all emerging markets to help achieve the SDGs. This opportunity represents around 40 per cent of the total funding required to meet specific indicators within three infrastructure-focused SDGs between now and 2030. Providing universal access to power represents the greatest investment opportunity, followed by significant improvements to transport infrastructure, digital access and access to clean water and sanitation.

+ For more information on our Opportunity2030 report visit sc.com/opportunity2030

Pointing to greater trade potential

Our Trade20 report maps the 20 markets with the greatest potential for future trade growth. The study points to existing trade powers that continue to pave the way for increased trade, including markets such as China, India and Singapore. It also highlights a number of medium-sized trading economies, such as Ireland, Vietnam, Indonesia and Thailand, that continue to make good progress, as well as smaller trading nations such as Côte d'Ivoire which are showing increasing promise. These high-potential markets may be of interest as future investment opportunities, or as import markets and supply chain partners.

+ For more information on our Trade20 report visit sc.com/wealthexpectancy

Introducing a new measure of prosperity

Our Wealth Expectancy Report 2019 examines the saving and investment behaviours of 10,000 emerging affluent, affluent and high-net-worth individuals across Asia, Africa and the Middle East. To do this, we compare their aspirations for retirement with the wealth they can expect to accumulate by the time they are 60. Even with a global average wealth expectancy of more than $1 million, nearly six out of 10 people (56 per cent) are at risk of not being able to afford the retirement lifestyle they aspire to.

+ For more information on our Wealth Expectancy Report visit sc.com/trade20

Group Chief Risk Officer's review
Staying strong in challenging times

2019 saw considerable geopolitical and macroeconomic uncertainty, with global growth slowing and the long-term impacts of US-China trade tensions, low interest rates, social unrest in Hong Kong and Brexit dominating the financial landscape. This has continued into 2020, with the recent novel coronavirus (Covid-19) outbreak affecting many of our key markets. While ensuring appropriate support of clients, we have taken measures to ensure the ongoing effectiveness of our risk management, maintaining a strong, diversified and resilient portfolio; and ensuring that areas of growth are well controlled and sustainable. Asset quality has remained broadly stable, although credit impairment saw a modest increase compared with 2018. However, this is still below the elevated impairment levels observed in previous years. Our capital and liquidity positions continue to be at healthy levels.

We are constantly scanning the risk landscape for new areas of potential concern and in 2020 we have elevated Model Risk to a Principal Risk Type recognising the importance of Model Risk to the Group. We have also identified Climate Risk as a material cross-cutting risk that should be considered alongside multiple risk types. Sustainability remains a core item on our agenda and our adoption of the UN's Principles for Responsible Banking demonstrates our commitment to provide the right outcomes for all our stakeholders. We continue to invest in technology to further enhance our risk management capabilities.

Mark Smith
Group Chief Risk Officer

An update on key risk priorities

In view of the challenging risk environment it is essential that we continue to optimise the way risk is managed within the Group. Innovation is at the heart of our agenda, and we are making progress on the Risk, and Conduct, Financial Crime and Compliance (CFCC) priorities set out at half year:

- **Strengthen the Group's risk culture:** Embedding a healthy risk culture continues to be a core objective across all areas of the Group. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action to address all existing and emerging risks. Our Enterprise Risk Management Framework (ERMF) has been embedded and rolled out to all countries. It sets out the guiding principles for our people, enabling us to have integrated and holistic risk conversations across the Group. In 2019, we increased focus on non-financial risks and are implementing a revised framework for the management of Operational Risk. Internal messaging from senior management promotes a healthy risk culture by valuing risk-based thinking across each line of defence, encouraging risk awareness, challenging the status quo and creating a transparent, safe and open environment for employees to communicate risk concerns.
- **Enhance information and cyber security (ICS):** A key part of our Group strategy has been our investment in digitisation and partnerships to better serve our clients. A new Group ICS strategy has been developed to align with the overall corporate strategy and drive cohesion across the Group on managing ICS Risk. The refreshed approach saw the following deliverables in 2019: an enhanced operating model to clarify accountabilities between the first and second lines of defence; Group-wide initiatives to further enhance our cyber capabilities; and increased training and awareness alongside crisis management exercises to ensure business responses with focus on clients and critical services, which has facilitated greater insights into the Group's risk position. In 2020, we will work to implement enhanced ICS capabilities across all our applications and businesses.
- **Managing Climate Risk:** Climate change remains one of the greatest challenges facing the world today, given its widespread and proven impacts on the physical environment and human health, and potential to adversely impact economic growth. We recognise the need to manage both our contribution through direct and financed emissions, and the financial and non-financial risks arising from climate change. The Group is responding responsibly and with urgency on both and has committed to measure, manage and ultimately reduce the emissions linked to our financing in line with the Paris Agreement. In support of this, in December 2019 we announced a substantial new clean technology and renewables target, and that we will only support clients who actively transition their business to generate less than 10 per cent of earnings from thermal coal by 2030. Governance around management of Climate Risk was significantly strengthened in 2019. To provide oversight on the development and implementation of the Climate Risk framework a Climate Risk Management Forum has been appointed that includes senior leaders from the business, risk and strategy. We have also partnered with external experts to further assess the impact of climate related risks, including engaging Imperial College London as academic advisers and piloting the Munich Re tool for physical risk assessments. Climate Risk has been identified as a material cross-cutting risk and multiple workstreams are underway to incorporate it into the relevant Principal Risk Type Frameworks. Our 2019 Taskforce for Climate-related Financial Disclosures Report provides further details on the Group's progress.

+ More details on the Group's Taskforce for Climate-related Financial Disclosures Report can be found on sc.com/tcfd

- **Manage financial crime risks:** We remain committed to our mission of "partnering to lead in the fight against financial crime" and are delivering on the remediation actions arising from the 2019 resolutions. In 2019, we reached a milestone with the termination of the Independent Consultant appointed by the New York State Department of Financial Services (NY DFS), and the business restrictions previously imposed by the NY DFS are no longer in effect as of 31 December 2019. We reclassified the Fraud Risk sub-type from Operational Risk to Financial Crime Risk, thus providing new insights and a more holistic view of Financial Crime threats. We have also further developed our Fighting Financial Crime microsite as well as delivering on many of our system upgrades. We are demonstrating delivery against our mission through our Correspondent Banking Academies, our ongoing deployment of upgraded systems for AML, sanctions, fraud and customer due diligence, and the Group's plan to collaborate with Quantexa, which will support the Group's Financial Crime team in developing innovative solutions to tackle challenges including money laundering, fraud and terrorist financing. The Group also contributes to industry thinking on reform and information sharing partnerships in a number of markets, as well as working with international forums such as the Wolfsberg Group.
- **Strengthen our conduct environment:** Conduct remains a key focus across the Group. The emphasis in 2019 was to further embed the framework at a more granular level across our footprint, businesses and functions, and ensure that conduct considerations are central to decisions taken throughout the Group. The Conduct Risk Type Framework provides a robust and consistent approach to help the identification, monitoring and management of Conduct Risk. The Conduct Risk Appetite metrics were also revised to focus on our main Conduct Risk outcomes: fair outcomes for clients; employee welfare and relations; and effective markets and stakeholder confidence, to provide a better view of the key Conduct Risks facing the Group. Conduct Plans are a key part of our framework and they identify, document and develop action plans to mitigate Conduct Risks. Ownership of Conduct Plans is with the first line of defence, with review and challenge from CFCC. These will play a significant part in helping us to uphold the highest standards of conduct, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct.
- **Enhance our Risk and CFCC infrastructure:** We continue to invest in our Risk and CFCC infrastructure to streamline processes, serve clients better and drive internal efficiencies. This includes improvements to stress testing, exposure management and data quality by using agile delivery methods to enhance our workflow and reporting systems. We are further developing our data and analytics infrastructure to enhance the speed and quality of risk decision-making; this includes initiatives driven both by internal innovation and collaboration with fintech partners. Our control capability has continued to strengthen with machine learning functionality and increased scope of surveillance and financial crime platforms, as well as adding availability on mobile devices to provide on-demand access to our automated askCompliance portal. We have also made structural changes including integrating financial crime and regulatory compliance teams at Group level to provide a single point of contact for the business. This has simplified our structure resulting in a greater client focus with reduced hierarchy, and faster decision-making. A new country operating model has also been designed and is being implemented across the Group. This mirrors the changes (and resulting benefits) at Group level by bringing together the financial crime and regulatory compliance teams, providing local teams with better access to specialist knowledge at a regional and group level.
- **Enhance our Model Risk management:** We have elevated Model Risk to a Principal Risk Type and identified its development as a key priority for the Group. In 2019, we launched the Model Risk Management Strategic Enhancement Programme which will improve our current capabilities. We have adopted a holistic approach, focusing on areas such as policy and governance, model inventory, Model Risk appetite and risk assessment, roles and responsibilities across first and second line activities, model development and validation standards, model portfolio optimisation and mitigation techniques. We will continue to invest in 2020 to embed the enhanced Model Risk management framework.

Our risk profile and performance in 2019

Our 2019 risk profile indicates strong performance that reflects the good work done in past years to improve our portfolios and secure our foundations. This should serve us well as the macroeconomic environment becomes more challenging. In 2019, we have remained resilient, with the Group's asset quality remaining broadly stable as well as our capital and liquidity metrics continuing to be at healthy levels.

We remain vigilant against existing and emerging risks that may impact our business, and utilise portfolio reviews and stress testing to assess the risk landscape.

Although credit impairment has increased year-on-year, it remains below the elevated levels seen in previous periods. Total credit impairment excluding the restructuring portfolio is $906 million, an increase of 22 per cent on 2018; however, this was largely due to stage 1 and 2 impairment, which saw a rise due to deteriorating macroeconomic variables, including a reduction in Hong Kong GDP. This was partially offset by lower stage 3 impairments across most segments.

Gross credit impaired (stage 3) loans reduced by 12 per cent to $7.4 billion (2018: $8.5 billion) driven by continued reductions in Corporate & Institutional Banking and Commercial Banking.

The stage 3 cover ratio increased to 68 per cent (2018: 66 per cent) due to new impairment charges, repayments and upgrades in Corporate & Institutional Banking. The cover ratio including collateral was flat at 85 per cent (2018: 85 per cent).

Retail Banking and Private Banking represent a similar proportion of total customer loans and advances to the previous year, with the overall loan-to-value of the mortgage portfolio remaining low at 45 per cent. The percentage of unsecured loans in the portfolio is broadly stable.

Average Group Value at Risk increased by 47 per cent year-on-year as the non-trading book saw an increase in the bond inventory of high quality assets in the Treasury Markets business. While we have seen growth in Financial Markets income, we remain comfortable with the level of risk we are taking and continue to actively monitor the portfolio to ensure that any growth is in line with our risk appetite.

The results of the Bank of England's Annual Cyclical Scenario stress test in 2019 show that the Group is more resilient to stress than a year ago. Despite an increase in the severity of the scenario, the maximum fall in the Group's Common Equity Tier 1 ratio reduced to 520 basis points (2018: 570 basis points), reflecting improved revenue momentum and overall risk profile together with the resolution of legacy conduct and control issues.

Further details of the Group's risk performance for 2019 are set out in the Risk update (pages 150 and 151) and the Risk profile section (pages 152 to 205)

Group Chief Risk Officer's review continued

An update on our risk management approach

Since its launch in 2018, we have embedded the Enterprise Risk Management Framework (ERMF) across the Group, including branches and subsidiaries. This allows the Group to identify and manage risks holistically, as well as strengthening the Group's capabilities to understand, articulate and control the nature and level of the risks we take while still effectively serving our clients.

In 2019, we reviewed the ERMF. As part of the review, we have elevated Model Risk to a Principal Risk Type with enhancements to the Group's approach to Model Risk management. This was previously a risk sub-type within the Operational Risk Type Framework. In addition to the Principal Risk Types, the Group now recognises Climate Risk as a material cross-cutting risk that manifests through other relevant Principal Risk Types. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement. Over time, the Group will consider if any of the other existing or emerging risks should be treated as material cross-cutting risks.

Principal risks are those risks that are inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for 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 provides an overview of the Group's principal risks and how these are managed.

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
Traded Risk	The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group's franchise
Capital and Liquidity Risk	The Group should maintain a strong capital position including the maintenance of management buffers sufficient to support its strategic aims and hold 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
Country Risk	The Group manages its Country Risk exposures following the principle of diversification across geographies and controls the business activities in line with the level of Jurisdiction Risk
Reputational Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight
Operational Risk[1]	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise
Compliance Risk	The Group has no appetite for breaches in laws and regulations, while recognising that regulatory non-compliance cannot be entirely avoided the Group strives to reduce this to an absolute minimum
Conduct Risk	The Group has no appetite for negative Conduct Risk outcomes arising from negligent or wilful actions by the Group or individuals recognising that while incidents are unwanted, they cannot be entirely avoided
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided
Information and Cyber Security Risk	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
Model Risk[2]	The Group aims to control Model Risk through appropriate level of governance and oversight to protect the franchise from losses that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation or use of such models

1 Risks arising from execution capability, governance, reporting, operational resilience (including third party vendor services, and system availability) are managed by the Operational Risk Type Framework. For further details please refer to page 221

2 Model Risk was added as a Principal Risk Type effective from January 2020. Further details on the Model Risk Type framework will be provided in the 2020 Annual Report

Further details of our Principal Risks and how these are being managed are set out in the Principal risks section (pages 212 to 227)

Emerging risks

Emerging risks refer to unpredictable and uncontrollable outcomes from certain events and circumstances which may have the potential to impact our business materially. These include near-term risks that are on the horizon and can be measured or mitigated to some extent, as well as longer-term uncertainties that are on the radar but not yet fully measurable.

The table below summarises the emerging risks that the Group faces, and the steps we are taking to manage them.

Emerging risks	Risk trend since 2018[1]	How these are mitigated/next steps
Geopolitical events, in particular: extended trade tensions driven by geopolitical and trade concerns, unrest in Hong Kong, Middle East geopolitical tensions, Brexit implications, and Japan-Korea diplomatic dispute	↑	→ We monitor and assess geopolitical events and act as appropriate to ensure we minimise the impact to the Group and our clients → We conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible geopolitical events
Moderation of growth in key footprint markets led by China, political volatility, novel coronavirus and disruptions to global supply chains	↑	→ 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 → A global downturn with shocks concentrated on China and countries with close trade links with China is one of the regularly run Traded Risk stress tests → The Group has robust Business Continuity Plans that are reviewed regularly to manage a range of scenarios
Climate-related transition and physical risks[2]	↑	→ We are developing a Climate Risk framework to deliver a consistent Group-wide approach to climate risk management. We are also a member of the Risk Management Working Group under the Bank of England's Climate Financial Risk Forum → The Group has a public target to fund and facilitate $35 billion towards renewable energy from 2020 to the end of 2024
Interbank offered rate (IBOR) discontinuation and transition	↑	→ We have implemented a global programme to manage all aspects of the transition → We are actively participating in and contributing to industry associations and business or regulatory forums focusing on different aspects of the LIBOR to Risk-Free Reference Rate (RFR) transition
Regulatory changes	↔	→ We actively monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model → We have established relevant project management programmes to review and improve end-to-end processes in terms of oversight and accountability, transparency, permission and controls, legal entry level limits and training
Regulatory reviews, investigations and legal proceedings	↔	→ We have invested in enhancing systems and controls, and implementing remediation programmes (where relevant) → We continue to train and educate our people on relevant issues including conduct, conflicts of interest, information security and financial crime compliance in order to reduce our exposure to legal and regulatory proceedings
New technologies and digitisation, including business disruption risk, responsible use of artificial intelligence and obsolescence risk	↔	→ We monitor emerging trends, opportunities and risks in the technology space which may have implications on the banking sector → We are engaged in building our capabilities to ensure we remain relevant and can capitalise rapidly on technology trends → We continue to make headway in harnessing new technologies, actively targeting the reduction of obsolescent/end of support technology and ensuring operational resilience
Increased data privacy and security risks from strategic and wider use of data	↔	→ We have governance and control frameworks which we continue to enhance to meet the needs of emerging technologies → We have designed a programme to manage the risks posed by rapidly evolving cyber security threats → We maintain a vigilant watch on legal and regulatory developments in relation to data protection to identify any potential impact to the business

↑ Risk heightened in 2019 ↓ Risk reduced in 2019 ↔ Risk remained consistent with 2018 levels

1 The risk trend refers to the overall risk score trend which is a combination of potential impact, likelihood and velocity of change

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

Further details on our emerging risks can be found on pages 228 to 235

Summary

Risk is an area that provides both challenges and opportunities. The Risk and CFCC functions will remain key to the Group's success. Early in 2020, we have been faced with the outbreak of the novel coronavirus. Major elections are due later in the year and a number of other geopolitical risks remain. Our continued investment and focus on our risk management capabilities will help the Group to navigate these headwinds, with the intention of ensuring a sustainable, innovative, resilient and client-centred bank.

Mark Smith
Group Chief Risk Officer

27 February 2020

CLIENT CASE STUDY

Building an Indian fashion brand with Neeru's

Based in Hyderabad, Neeru's specialises in traditional, handcrafted Indian fashion design.

In 2008, with demand for her unique designs increasing, Neeru Kumar, Owner and Head Designer, was looking for ways to expand, but didn't want to have to sell her stake in the business in order to raise capital. Neeru eventually found a way forward with Standard Chartered. We provided an INR 22,000,000 ($314,285) business loan, as well as an INR 19,800,000 ($282,857) personal loan over 180 months.

These loans formed the groundwork that ultimately enabled Neeru to open three more stores – one in Hyderabad and two in Bangalore. In 2019, Neeru took out a mortgage loan with us of INR 83,500,000 ($1,192,857) to support the ongoing expansion of the brand.

Today, over a decade since we first worked with the business, Neeru's retails across 100 points of sale in 25 Indian cities and in Dubai.

"With Standard Chartered, we are achieving our goal of expanding both domestically and internationally"

Neeru Kumar Owner and Head Designer, Neeru's

Stakeholders and responsibilities

As an international bank located in 59 markets, stakeholder engagement is central to how we understand local, regional and global perspectives and trends that inform our approach to doing business.

OUR STAKEHOLDERS

- Clients
- Regulators and governments
- Investors
- Suppliers
- Society
- Employees

This section forms our **Section 172** disclosure, describing how the directors considered the matters set out in section 172(1)(a) to (f) of The Companies Act 2006. It also forms the directors' statement required under section 414CZA of the Act.

See the following pages for:

How we engage stakeholders to understand their interests

See pages 44 to 46

How we engage employees and respond to their interests

See pages 47 to 49

How we respond to stakeholder interests through sustainable and responsible business

See pages 51 to 56

Detailed information about how the Board engages directly with stakeholders and shareholders can be found in the Directors' Report on pages 80 to 82.

Examples of a selection of the Board's principal decisions are included throughout this section.

This section also forms our key non-financial disclosures in relation to sections 414CA and 414CB of the Companies Act. Our non-financial information statement can be found at the end of this section on page 57.

Sustainability Aspirations

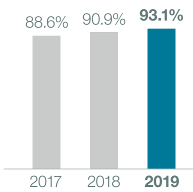
Our Sustainability Aspirations continue to provide a robust set of performance targets to support sustainable business outcomes. Developed in 2016, the Aspirations are a set of annual and multi-year performance targets aligned to the UN SDGs. Performance against our Aspirations in 2019 is set out in the following pages. Their integration into the 2019 Annual Report reflects the Group's continued commitment to delivering sustainable and responsible banking.

As part of this commitment, we are embarking on third-party, limited assurance of a selection of our Aspirations as they represent our most significant impacts.

See page 405 for our refreshed 2020 Sustainability Aspirations

Group KPI: Sustainability

Delivering sustainability aspirations



93.1%

+2%

Sustainability Aspirations achieved or on track

Aim: Embed sustainable and responsible practices across our business, operations and communities by measuring progress against the targets set out in our Sustainability Aspirations.

Analysis: In 2018, 90.9 per cent of our Aspirations were achieved or on track. In 2019, this figure rose to 93.1 per cent, demonstrating the continued progress being made.

Each Aspiration contains one or more performance measure. The KPI is the proportion of all measures that have been achieved or are on track to deliver at the end of the reporting period.

to track short- and long-term issues, assessing them based on business impact and level of stakeholder concern.

Stakeholder feedback is communicated internally to senior management through the relevant forums and governing committees to the Board's Brand, Values and Conduct Committee (BVCC). The BVCC oversees the Group's approach to its main government and regulatory relationships. Progress is communicated regularly to external stakeholders through channels such as sc.com and this report.

"Constructive dialogue is central to sustainable and responsible banking"

to work more directly with clients earlier in the development process to co-design new solutions and improve the value proposition of our existing offerings. Through this, clients have told us that we need to simplify our processes and make more effective use of digital technology. In recent years, we have also seen increasing demand from our clients for sustainable finance products.

The increased emphasis on direct interaction allowed us to respond more quickly and completely to our clients' feedback. For example, Retail Banking created a personal loan product in Singapore with a simplified online user experience and application process that was delivered in just six weeks; Private Banking designed more user-friendly communication for customers on corporate actions and enabled payment notifications via email and mobile; and Corporate & Institutional Banking developed innovative new products to meet clients' growing interest in sustainable finance.

Their interests

- Differentiated products, preferred bank
- Digitally enabled and positive experience
- Sustainable finance

legislation, rules and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate. Our compliance with legal and regulatory frameworks ensures that the Group meets its obligations and supports the resilience and effective functioning of the broader financial system and economy. In support of this, we have a unified Public and Regulatory Affairs team responsible for anticipating changes to relevant legislation and regulation, and managing relationships with regulators and governments. During 2019, we improved our capacity to identify and analyse the forward horizon of potential and emerging regulatory developments that have strategic impacts on the Group.

We meet all relevant transparency requirements and engage through ongoing dialogue with regulators and governments, submitting responses to formal consultations and by participating in industry working groups. We typically publish our consultation responses on regulations that impact the Group on sc.com.

In 2020, we expect to engage on regulation and legislation associated with international trade, emerging technologies and innovations in banking, sustainable banking including climate risk and artificial intelligence including data analytics and privacy.

Their interests

- Robust capital base/strong liquidity position
- Standards for conduct
- Healthy economies, competitive markets and positive social development

Investors

How we create value

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

How we serve and engage

We rely on capital from debt and equity investors to execute our business model. Whether they have a short- or long-term investment horizon, we provide all investors with information about all aspects of our financial and sustainability performance.

Our operating footprint and commitment to sustainable and responsible banking enables us to connect investors in capital markets to opportunities in emerging markets. We believe that an integrated approach to ESG issues and a strong risk and compliance culture provide a competitive advantage. During 2019, we delivered value by executing against our strategic priorities. See pages 19 to 29 for more information.

Transparent engagement with our investors and the wider market helps us to understand what investors need so that we can tailor our public information accordingly. We communicate with investors through quarterly management statements, half- and full-year results, webinars and media releases. Our Investor Relations team engages directly through calls, conferences and roadshows. For example, during 2019 we hosted investor seminars on our franchise in the Africa & Middle East region and our Financial Markets business to provide greater insights into their opportunities, advantages and underlying drivers of performance.

Feedback is taken seriously by the Board and it is aware of topics of particular interest, recommendations or requests. During the year, the Board met with investors to discuss key topics including digital banking initiatives, the US-China trade dispute, social unrest in Hong Kong and executive remuneration. They also discussed the views of institutional investors and responded to retail shareholders' questions at the AGM.

We continued to respond to the growing interest from mainstream investors on ESG matters including the SDGs, sustainable finance, climate change, coal and human rights. We also engage with sustainability analysts and participate in sustainability indices that provide independent benchmarking of our performance. We are included in FTSE4Good and submit to the Carbon Disclosure Project (CDP).

In 2020, we will continue to engage with investors on how we plan to sustainably improve our returns to create value over the long term.

Their interests

- Safe, strong and sustainable financial performance
- Opportunities for sustainable finance
- Environment, social and governance matters

Suppliers

How we create value

We work with local and global suppliers to ensure they can provide the right goods and services for our business, efficiently and sustainably.

How we serve and engage

Engagement is guided by our Supplier Charter, which sets out what we expect of suppliers on issues such as ethics, anti-bribery and anti-corruption, human rights and environmental performance. Our suppliers must recommit to the charter annually, and regular engagement to monitor performance is built into our procurement practices and standards.

We engage globally and locally to create value through the supply chain for both our business and our suppliers. In 2019, our innovation arm SC Ventures and our Group Chief Executive held engagement sessions with strategic and fintech suppliers in Singapore to strengthen collaboration and innovation around digital transformation. In addition, we formed a strategic partnership with SAP Ariba to bring financial supply chain solutions to businesses in the Asia Pacific Region through the Ariba Network.

Small and medium-sized business owners continue to have the opportunity to participate in our sourcing activities and local supply teams help them meet the standards set out in our charter. We continue to work with small and medium-sized fintechs with SC Ventures to drive greater innovation in our supply chain.

PRINCIPAL BOARD DECISION 1

Share buy-back programme

In setting out the Group s approach to dividend growth and capital returns, the Board considered a range of options to grow the dividend over time and to deploy capital not needed to be retained in the business over time. Taking into account a broad range of investor views, and considering regulator sentiment, the Board agreed that it was in the best interests of the Group to return $1 billion of capital through a share buy back programme, subject to prevailing economic and regulatory conditions.

PRINCIPAL BOARD DECISION 2

Climate risk and sustainability strategy

The Board reviewed the Group s activities in relation to climate change.

In its discussions, the Board recognised the need to manage physical and transitional climate risks that are impacting clients, shareholders, employees and local communities.

As a result, the Board endorsed the Management Team s decision to develop and implement a Climate Risk framework and to incorporate climate into relevant Principal Risk types as a material cross cutting risk.

The Board also acknowledged the significant opportunity to support clients with new financing solutions that contribute to decarbonising economies and improving physical resilience to a changing climate.

In addition, it considered the Group s progress in advancing its sustainability strategy against a rapidly changing landscape where expectations from key stakeholders, including governments, regulators, investors and employees, were increasing.

Engaging stakeholders continued

Suppliers continued

We are committed to improving the supplier experience. In 2019, suppliers told us they wanted simpler on-boarding and payment processes. To address this, we are streamlining our on-boarding processes, improving our use of technology and providing additional training on these processes for employees and suppliers.

During 2019, we made good progress embedding sustainability into our procurement practices. We strengthened governance of Modern Slavery and Human Trafficking (MSHT) risk and assessed the MSHT standards and practices of our strategic suppliers' own supply chains. Read our 2019 Modern Slavery Statement at sc.com/modernslavery.

We have started to enrich our data on supplier diversity and conducted a benchmarking study in preparation for developing a more robust supplier diversity programme in 2020.

Their interests

- → Open, transparent and consistent tendering process
- → Willingness to adopt supplier driven innovations
- → Accurate and on-time payments

Society

How we create value

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

How we serve and engage

We engage with a wide range of civil society and international and local non-governmental organisations (NGOs) from those focused on environmental and public policy issues to partners delivering our community programmes.

Where NGOs approach us about a specific client or transaction, we aim for constructive dialogue that helps ensure we understand alternative positions, which can shape our thinking, and that our approach to doing business is understood. This engagement takes the form of individual face-to-face meetings and calls, as well as written responses on specific topics. The views and concerns of our stakeholders are then fed into the decisions we make within the Group. In 2019, we continued to engage with organisations on climate change, human rights and tax.

We engage with international and local NGOs to advance our community development agenda to tackle avoidable blindness and promote economic inclusion. We have long-standing relationships with global implementing partners, such as Women Win and the International Agency for the Prevention of Blindness, which deliver our community programmes. These relationships provide valuable insight, with partners acting as trusted sounding boards for understanding evolving issues in our communities.

Local NGO partners delivering our community programmes collect regular feedback from participants to shape future activities. For example, girls on our Goal empowerment programme are regularly surveyed to track their individual and collective progress against the programme's objectives. In 2019, we commissioned an independent study to learn more about Goal's impact.

We also encourage colleagues to use their three days of volunteering leave to build relationships within their own communities, and the Board incorporates visits to our community programmes into their travel schedules.

In 2020, we will host the inaugural Futuremakers Forum, an engagement opportunity that will bring together a broad range of experts, community members and corporates to discuss and promote economic inclusion for young people.

Their interests

- → Positive social and economic contribution
- → Strong community outreach and sustainability programme
- → Climate change and environmental issues

PRINCIPAL BOARD DECISION 3

Sale of joint venture investment in an Indonesian bank

In deciding to explore, with its joint venture partner, the sale of its stake in an Indonesian bank, the Board gave due consideration to the potential impact on other key stakeholders, over and above the financial and strategic benefits which would be realised by the Group. This included local regulatory requirements.

The Board considered the impact of the divestment on clients and employees, as well as the local communities in which the bank operates, and agreed that the final terms of the sale were in the best interests of the Group as a whole.

Employees

How we create value

We believe great employee experience drives great client experience. We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career enabled by great people leaders.

2019 SUSTAINABILITY ASPIRATIONS: EMPLOYEES

People

Increase gender representation: 30% women in senior roles (Sept 2016 – Dec 2020)	On track
Implement a Living Wage for all employed workers (Jan 2019 – Dec 2019)	Achieved
Conduct feasibility analysis to incorporate a Living Wage into agreements for all non-employed workers (Jan 2019 – Dec 2020)	On track

Concluded in the year	Ongoing aspirations
Achieved	On track
Not achieved	Not on track

How we serve and engage

By engaging employees and fostering a positive experience for them at Standard Chartered, we can better serve our clients and deliver our purpose to drive commerce and prosperity through our unique diversity. Building an inclusive culture enables us to harness our unique diversity to unlock innovation, make better decisions, deliver our business strategy, live our valued behaviours, and embody 'Here for good'.

Since 2016, the Group has taken steps toward an inclusive, innovative and performance-based culture that emphasises sustainability and conduct. When lived consistently, our valued behaviours (Never settle, Do the right thing, and Better together) should deliver our desired culture.

We proactively assess and manage people-related risks; for example, organisation, capability, and culture, as part of our Group risk management framework.

Their interests

In 2018, we conducted research to understand our Employee Value Proposition (EVP) or the value that employees feel they gain from being part of our organisation. The research also illustrated what potential employees consider important in an employer. Our employees told us they want to: have interesting and impactful jobs; innovate within a unique set of markets and clients; cultivate a brand that sustainably drives commerce and offers enriching careers and development; and be supported by great people leaders. They want these elements to be anchored in competitive reward and a positive work-life balance. Our EVP has been a key input to our refreshed People Strategy, which was approved by the Board in 2019. The strategy will be a key enabler in delivering our business strategy while also creating a differentiated employee experience.

Listening to employees

Listening to employees helps us identify, and work to close gaps between their expectations and their experiences. My Voice, our annual engagement survey has played a role at each stage in our culture transformation. In 2019, 71,000 (91 per cent) of our employees and, for the first time, 3,000 non-employed workers (NEWs) completed the survey. Two-thirds of the survey questions improved year-on-year with one survey question decreasing, suggesting the overall employee experience is improving. This is also reflected in our voluntary attrition rates decreasing year-on-year. Our employee net promoter score (eNPS) has continued to increase steadily since 2016. Improving employee advocacy internally is beginning to reflect externally with increasing LinkedIn follower growth (up by 36 per cent from 2018) and our Glassdoor rating is 3.7 stars.

We need our people leaders to be the drivers of culture change. During the year, more than 80 per cent of first-time leaders attended our new people leader development programme LeadX to develop better leadership capabilities. The programme content was informed by what our employees told us they wanted from their leaders in My Voice.

While survey results are improving, employee satisfaction with growth opportunities is the lowest scoring question. As part of our refreshed People Strategy, we are implementing several initiatives to improve this, including piloting the introduction of a virtual talent marketplace to grow individuals' skillsets and increasing opportunities for learning experiences for all employees.

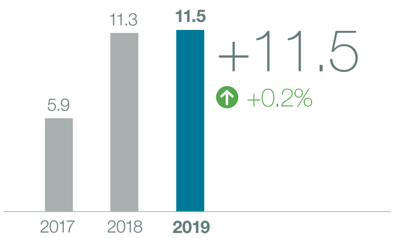
In response to the revised UK Corporate Governance Code Provision 5, we considered the specified workforce engagement methods (a director from the workforce, a workforce advisory panel, and/or a designated non executive director)

Group KPI: Employee engagement

Employee Net Promoter Score (eNPS)

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

Analysis: Our eNPS has steadily increased since 2016 and is on a par with 2018.



eNPS measures the number of promoters (who would recommend the Group as a great place to work) compared with detractors on a scale from -100 to +100. This is reflected in the percentage change calculation.

CASE STUDY

Inclusive leadership

83 per cent of our people leaders have now attended an Inclusive Leadership Programme. This builds an understanding of how to create an inclusive culture and create value by unlocking the diversity of thought in teams. This has been further supported by the launch of an activity-based e-learning 'When we're all included' in 2019.

Engaging stakeholders continued

Employees continued

and concluded that an alternative framework would be more suitable. As a global organisation with a workforce of approximately 90,000 across 59 diverse markets, the Board engagement needs to gather feedback that is representative of the whole workforce to be effective. Several channels exist for the Board to understand the views of the workforce, including information reported from senior management on culture, My Voice, Speaking Up, disciplinary and grievance data and themes. The Board engages directly with the workforce on overseas visits, which in 2019 included Germany, China and Singapore, and other events; for example, our employee Recognition Awards. Further, in 2019 we experimented with two interactive online sessions. More than 900 employees actively participated in both sessions either asking questions, providing comments or liking content. Questions focused on the future of banking, organisational structures, talent management and diversity and inclusion, and the Questions and Answers page has been viewed more than 6,500 times. These initial sessions demonstrate employee interest in hearing from our Board members and the output will be used to inform future engagements with employees.

Developing future skills in a diverse workforce

The world of work continues to change rapidly. We want to equip employees with the skills they need to prosper in this increasingly ambiguous environment. This starts with an aspiration for every employee to have a personalised growth plan, created in partnership with their people leader and based on their performance, career objectives and future roles. Our goal in 2020 is for 80 per cent of employees to have a growth plan in place.

We are investing in tools to support this aspiration. Our new global people management platform makes it easier for employees to define their objectives, receive feedback from peers and plan their career growth.

We want to increase access to development opportunities for our diverse talent. We are building a virtual talent marketplace platform, supported by artificial intelligence, that enables employees to match their skills and aspirations with short-term experiences. We are also rolling out a personalised learning platform that provides tailored recommendations and access to internal and external learning resources. This should help employees manage their careers for the future. In addition, we have delivered a series of targeted leadership acceleration programmes to more than 850 employees to develop role readiness and build leadership capabilities. These efforts are having a positive impact on developing our pipeline of internal talent with 63 per cent of senior management appointments in 2019 going to an internal candidate.

We will only prosper as an organisation if our employees and teams prosper too. We want to create a working environment that supports employee resilience and creativity, so they can thrive at work and in their personal lives. Providing working conditions that are broad and inclusive will help us to reap the benefits of our diverse and talented workforce. Our Fair Pay Charter (p116) is a public declaration of our commitment to deliver fair, transparent and competitive pay, continually improve our benefits, and support our employees' lifestyle, wellbeing and development. We continue to build on the resources (mental, physical, social and financial) to help our employees manage their individual wellbeing needs. We have wellbeing champions in place that cover 95 per cent of our employees and mental health first aiders available in the UK, US, Singapore and Hong Kong.

Creating an inclusive culture that leverages our diversity

Following the launch of our Diversity and Inclusion (D&I) strategy in 2018, we have continued to build the foundations and raise awareness of D&I. It is our strong belief that a culture of inclusivity is the key to harnessing our unique diversity to unlock innovation and create shareholder value. Our Inclusive Leadership Programme, completed by more than 80 per cent of people leaders, cultivates skills and behaviours to help mitigate unconscious bias and build a culture of inclusion. This has further been supported through the launch of our e-learning, 'When we're all included', for all employees.

We recognise five international D&I dates[1] to raise awareness, enable dialogue, highlight role models, disrupt traditional norms and break stereotypes. Our global campaigns, supported by local D&I councils and employee resource groups, delivered 293 activities ranging from panel events with clients and community representatives to hosting classes on sign language, cultural intelligence and flexible working. In addition, we shared toolkits to increase understanding of cultural dialogue, being an LGBT+ advocate, mental wellbeing, disability and parental leave best practices.

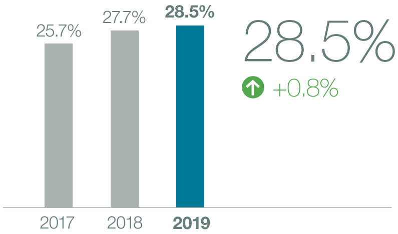
We have signed up to disability advocacy initiatives such as The Valuable 500 and the International Labour Organization – Global Business Disability Network Charter to further

Group KPI: Diversity and inclusion

Women in senior roles

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

Analysis: Since signing the Women in Finance Charter in 2016, we have seen a positive trend in female representation in our senior leadership roles, increasing to 28.5 per cent at the end of 2019. This takes us closer towards our pledge of having women occupy 30 per cent of senior roles by 2020.



The total number of women in senior management (Managing Director and band 4) roles expressed as a percentage of total senior management roles.

FUTURE SKILLS

Global Learning Week

In support of our ambition to develop future skills as part of our refreshed People Strategy, we held a global learning week in October titled 'Invest in Yourself. About 49,000 participants took part in more than 500 events that included panels, external speakers and demonstrations of learning tools and more than 17,000 videos, articles and podcasts were consumed. The week was a catalyst to encourage people to think about the future of work, develop new skills and make learning an everyday habit.

reinforce our commitment to be a disability-confident organisation. Our aim is to remove barriers and increase accessibility. We've had an inclusive design standard in place since 2016 which has been applied to all new premises and retrofits. Further, we are encouraging markets to assess their disability confidence with a new assessment tool to close gaps and identify best practice.

We achieved our 2019 aspiration to pay all employed workers a living wage, and in locations where it is possible, employees are invited to participate in our Sharesave plan to share in the success of the Group.

During 2020, we will continue work on a feasibility assessment to extend our living wage commitment to our contractors and third parties.

Our inclusion efforts and actions have led to improvements in the outcomes we measure including female representation in senior roles, which has increased from 27.7 per cent in 2018 to 28.5 per cent at the end of 2019. We don't plan to settle at 30 per cent and, as part of our new Sustainability Aspirations for People, we have set ourselves a new target to have 35 per cent female representation in senior roles by 2024.

Externally, we have engaged with more than 600 clients in our efforts to drive the pace of change and inclusion across the industry. We have sponsored conferences and summits, such as the Bloomberg Equality Summit and Grace Hopper Celebration India. We have also delivered the 'Men Advocating Real Change' programme in India, Singapore and the UK where clients and senior leaders have come together to sharpen their awareness of inequality, develop inclusive leadership strategies and hone skills to make a lasting impact. We are also helping our clients with their inclusion efforts. For example, we have launched an Impact Philosophy Framework for our private bank clients. This provides a methodology to match our clients' financial goals with solutions that help drive the advancement of the Sustainable Development Goals.

We continue to be recognised for our achievements and efforts in D&I across the footprint. There is a summary of our award wins on page 409. We are proud of the progress that we have made to date but recognise there is more work to do.

1. International Day Against Homophobia, Transphobia and Biphobia; International Day of Persons with Disabilities; International Men's Day; International Women's Day; and World Day for Cultural Diversity for Dialogue and Development

Gender pay gap and equal pay

We continue to analyse our gender pay gap for the UK, Hong Kong, Singapore, UAE and the US. The gender pay gap compares the average pay of men and women, without accounting for some of the key factors which influence pay, including different roles, skills, seniority and market pay rates. Our gender pay gaps are caused by there being fewer women in senior roles and in business areas where market rates of pay are highest. With the exception of the mean hourly pay gap in the US, the mean gap for hourly pay and the mean gap for bonus pay have remained flat or reduced across all five markets.

When the pay of males and females at the same level and in the same business area is compared the gender gaps are significantly smaller. The remaining gaps exist due to differences in the market pay level for different types of roles at the same level and in the same business areas, and differences in the relative positioning of the pay of each role holder around the market benchmark. In the UK, the 2019 adjusted pay gap is four per cent, which is an increase of two percentage points compared to 2018. We wanted to understand more about why this figure had increased, so we conducted additional equal pay checks for the UK to provide assurance that there was not a systemic issue to address.

We are committed to gender diversity globally and have initiatives in place to support this; we acknowledge it will take time to see the level of change needed to significantly reduce our gender pay gaps. You can read more about our gender pay gaps and our gender diversity initiatives in our gender pay gap report at sc.com/genderpaygap.

Equal pay is a more detailed measure of pay equality than the gender pay gap, and is a key commitment in our Fair Pay Charter. We analyse equal pay during our annual performance and pay review process globally to assure ourselves that we deliver equal pay for equal work.

2019 gender pay gap

	UK	Hong Kong	Singapore	UAE	US
Mean hourly pay gap	32%	20%	35%	26%	25%
Mean bonus pay gap	46%	38%	46%	53%	48%

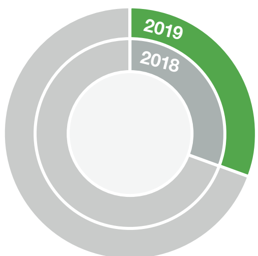
Female representation

Board

Female
31%
(2018: 31%)

Female
4

Male
9

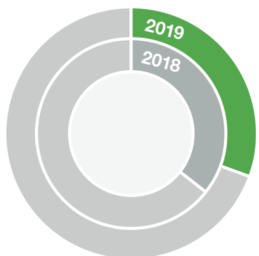


Management Team

Female
31%
(2018: 35.7%)

Female
4

Male
9

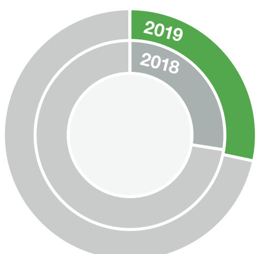


Senior management
(Managing directors and band 4)

Female
28.5%
(2018: 27.7%)

Female
1,162

Male
2,914

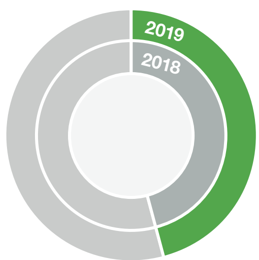


All employees

Female
46.1%
(2018: 45.9%)

Female
38,880

Male
45,518



DIGITAL BANKING

We now provide digital banking in nine African markets

After launching our first digital bank in Côte d'Ivoire in 2018, we rolled out digital capabilities across eight additional markets in less than 12 months.

Our digital banking solution now covers Kenya, Uganda, Tanzania, Ghana, Zambia, Botswana, Zimbabwe and Nigeria.

Early results show that markets like Uganda and Tanzania have increased their customer acquisition by three times, account funding rates for most markets are relatively healthy and customer feedback has been positive.

The platform we now have in Africa operates on the existing technology rails available to us, but it has a middle and backend that is practically zero touch, which means that customers can open accounts, do all their banking transactions and receive customer service without going into branches or interacting with staff.

This efficiency has translated into a more targeted branch footprint, allowing us to reduce our branches by over a third to 199 branches across Africa and the Middle East.

"We have begun work on rolling out our digital platforms in our Middle Eastern markets in 2020."

Now that our digital banking platforms have stabilised, our focus has shifted to adding a full suite of digital products to enhance our competitive advantage.

We launched mobile-led insurance and investments in the second half of 2019 and will begin to phase in additional offerings like digitally-led small-ticket loans, Business Banking and Agency Banking throughout 2020.

We are also going paperless in all of these markets with the launch of a staff-assisted platform, which enables all customers walking into branches to have their accounts opened directly on the digital platform. In parallel, we have begun work on rolling out these digital platforms to our Middle Eastern markets in 2020.

Sustainable and responsible business

Our purpose is to drive commerce and prosperity through our unique diversity. Our new sustainability vision is to become the most sustainable and responsible bank, and the leading private sector catalyser of finance for the SDGs where it matters most, in Asia, Africa and the Middle East.

We embed sustainability across our business, operations and communities through our sustainability framework. By focusing on three pillars – Sustainable Finance, Responsible Company and Inclusive Communities – we believe we can deliver sustainable prosperity, in line with our valued behaviours and our brand promise to be Here for good.

This approach is framed around a Sustainability Philosophy that informs our decision-making, Sustainability Aspirations that provide tangible targets for sustainable business outcomes aligned to the UN Sustainable Development Goals (SDGs), and Position Statements that set out our environmental and social client standards.

In 2018, we laid the foundations for an ambitious transformation of our sustainability performance and in 2019, we built on this with positive results. We created sustainable finance products and a governance framework that support our commitment to help deliver the SDGs. We accelerated our response to climate change, publishing our emissions white paper to encourage collaboration across the finance sector, updating our position on coal and integrating climate into the Group's risk framework. As part of our refreshed Sustainability Aspirations, we set stretching new targets for Sustainable Finance as well as People, Environment, Conduct and Financial Crime Compliance and we continued to deliver for our communities through volunteering and community programmes.

Sustainability governance

The Board is responsible for ensuring that high standards of responsible business are maintained and receives information to identify and assess significant risks and opportunities related to environmental and social matters, including climate change. Sustainability is overseen by the Brand, Values and Conduct Committee of the Board, which reviews priorities and oversees the development of, and delivery against, public commitments.

At a management level, the CEO, Corporate & Institutional Banking is responsible for Sustainable Finance, which incorporates Environmental and Social Risk management. The Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance leads a cross-business Sustainability Forum to develop and deliver the Group's broader sustainability strategy and champion sustainability across the Group.

See page 44 to read how stakeholder engagement informs our approach to sustainable and responsible business

See page 405 for a full list of our 2020 Sustainable Aspirations

CLIMATE CHANGE

Innovative solutions for climate change

In 2019, we joined forces with the Centre for Climate Finance & Investment at the UK's Imperial College Business School to launch the Climate Investment Challenge. The competition encourages postgraduate students to develop and describe creative financial solutions and innovations to address climate change. Ideas will be judged on their innovation, implementation feasibility, scalability and impact by a panel from investment banking, private equity and impact investing.

Sustainable and responsible business continued

Sustainable Finance

Stakeholders

Clients

Investors

Society

We use our core business to promote sustainable development in our markets, while managing the environmental and social risks associated with our financing activities.

"We have set stretching new targets to ensure we continue to drive sustainable finance that supports the UN SDGs"

2019 SUSTAINABILITY ASPIRATIONS: SUSTAINABLE FINANCE

Infrastructure

Provide advisory, financing, debt structuring services and policy advice for $25bn of infrastructure projects (Jan 2017 – Dec 2019)

Including $4bn toward clean technology (Jan 2016 – Dec 2020)

Climate change

Develop a methodology to measure, manage and ultimately reduce the emissions related to the financing of our clients (Jan 2019 – Dec 2020)

Entrepreneurs

Provide $6bn to Business Banking clients (Jan 2017 – Dec 2019)

Grow our lending to smaller business clients in our Commercial Bank by 20% (Jan 2017 – Dec 2019)

Digital

Continue to provide 'last mile' payments and collections through our Straight2Bank wallet (Jan 2017 – Dec 2019)

Commerce

Bank 8,000 of our clients' networks of suppliers and buyers through banking the ecosystem programmes (Jan 2017 – Dec 2020)

Impact Finance

Provide $1bn to institutions for microfinance (Jan 2016 – Dec 2020)

Facilitate opportunities for Private Bank clients to invest in impact investing funds (Jan 2016 – Dec 2020)

Continue to promote blended finance capabilities (Jan 2016 – Dec 2020)

Concluded in the year	Ongoing aspirations
Achieved	On track
Not achieved	Not on track

Our unique footprint across emerging markets enables us to focus sustainable finance where it matters most. In 2019, we took major steps forward to deliver finance that drives positive social and economic impact and manage environmental and social risks associated with our financing activities.

In 2019, we launched two new Sustainable Finance products to address the SDGs in low- and middle-income countries. The proceeds from our inaugural €500 million Sustainability Bond will finance clean energy projects, smaller business lending and microfinance loans. We also launched the world's first Sustainable Deposit in London and Asia's first Sustainable Deposit in Singapore. This was followed by launches in Hong Kong and New York. Every dollar deposited will be referenced against sustainable assets.

These products are underpinned by a robust approach to governance. Our Green and Sustainable Product Framework and Green and Sustainable Bond Framework set out all eligible and excluded activities and themes for future sustainable products. The frameworks, which were developed in collaboration with leading ESG research provider Sustainalytics, will be subject to internal review annually.

Our Sustainability Aspirations set out the areas in which we can have the most positive impact in our markets. In 2019, to support the low carbon transition, we mobilised $20 billion for clean technology and helped clients issue $18.3 billion in green, social and sustainable bonds.

Entrepreneurs and small businesses play an important role in the economic sustainability of communities. We continued to extend access to finance for entrepreneurs, providing $710 million to microfinance institutions (MFIs) in 2019 and $2.4 billion since 2016. We remain strongly committed to the sustainable financing of smaller businesses, which are at the heart of growth, job creation and economic empowerment in our footprint. While we did not meet our target, we continued to grow our lending to Commercial Banking clients by 12 per cent between 2017 and 2019.

Following engagement with internal and external stakeholders, we set stretching new targets to support the SDGs. As set out in our Sustainability Aspirations, between January 2020 and December 2024, we will fund and facilitate $40 billion for infrastructure that promotes sustainable development and $35 billion for renewable energy, provide $15 billion to small business clients and $3 billion to MFIs.

See page 405 for a full list of our 2020 Sustainable Aspirations

Sustainable Finance continued

Managing Environmental and Social Risk

Our main impact on the environment and society is through the business activities we finance. Our seven Position Statements outline the cross-sector standards we expect of ourselves and our clients, as well as sector-specific guidance for those clients operating in sectors with a high potential environmental or social impact. These draw on International Finance Corporation Performance Standards, the Equator Principles and global best practice. Our Prohibited Activities list sets out the activities we do not finance and can be found on sc.com.

We identify and assess environmental and social risks related to our Corporate & Institutional, Commercial and Business Banking clients, and embed our Environmental and Social Risk framework directly into our credit approval process. All relationship managers and credit officers are offered training in assessing Environmental and Social Risk against our criteria, as well as access to online resources. During 2019, we continued to embed the Position Statements through e-learning and classroom-based training for frontline and risk colleagues.

Our refreshed Position Statements came into effect in March 2019. During the year, we reviewed 1,127 transactions that presented potential specific risks against our Position Statements. Further to our 2018 decision to end financing for new coal-fired power plants, we announced that we will only support clients who actively transition their business to generate less than 10 per cent of earnings from thermal coal by 2030.

We work with clients, regulators and peers across the finance sector to continuously improve environmental and social standards. We proactively engage with clients to mitigate identified risks and impacts and support them to improve their environmental and social performance over time. Where this is not possible, transactions have been, and will continue to be, turned down. In 2019, we were active in the review of the refreshed Equator Principles 4 (EP4) and in November, assumed the role of chair of the EP Steering Committee. Our focus will be overseeing implementation of EP4 during 2020.

+ See our Position Statements at sc.com/positionstatements

Responding to climate change

Climate change is a shared global challenge. We are committed to supporting clients through the low-carbon transition in line with the Paris Agreement and supporting adaptation and resilience to tackle physical risks. Since 2018, we have been identifying ways to measure, manage and ultimately reduce the carbon emissions relating to our financing of clients.

During 2019, we published a white paper on our emissions framework to accelerate discussion across the finance sector. We piloted two methodologies to measure emissions, focusing on the 2 Degrees Investing Initiative's tool to understand emissions at a sector level. Using this tool, we disclosed our current, financed emission intensities for the automotive and cement manufacturing portfolio in our 2019 Climate Change/Taskforce on Climate-related Financial Disclosures (TCFD) report to support dialogue with a range of stakeholders. Further insights from this work are informing our corporate planning process and the development of our new Climate Risk framework.

Recognising the significance of climate-related concerns to our clients and communities, we are integrating Climate Risk into our Group-wide approach to risk management. We have identified it as a material cross-cutting risk that will be considered alongside designated Principal Risk Types. For more information, see pages 206 to 235 of the Risk review.

In addition to our own response, we believe collaborative action is needed. We are continuing to work through existing relationships including UN Environment Programme for Financial Institutions and the Katowice Commitment. In 2019, we became a founding member of the UN Principles for Responsible Banking, a signatory to the UN Collective Commitment to Climate Action and joined the Coalition on Climate Resilient Investment.

We continue to engage clients on assessing Climate Risk and identifying low-carbon opportunities through our Sustainable Finance team. We are mobilising finance to support the low-carbon transition, such as our new commitment to provide $35 billion of financial services towards renewable energy between January 2020 and December 2024.

+ See our 2019 Climate Change/Taskforce on Climate-related Financial Disclosures (TCFD) report at sc.com/tcfd

Responsible Company

2

Stakeholders

Clients

Regulators & governments

Suppliers

Society

We strive to manage our business sustainably and responsibly, drawing on our purpose, brand promise, valued behaviours and Code of Conduct to enable us to make the right decisions.

2019 SUSTAINABILITY ASPIRATIONS: RESPONSIBLE COMPANY

Environment

- Reduce annual energy use by 35% in tropical climates (Jan 2008 – Dec 2019)
- Reduce annual energy use by 31% in temperate climates (Jan 2008 – Dec 2019)
- Reduce annual water use by 72% (Jan 2008 –Dec 2019)
- Reduce annual office paper use by 57% (Jan 2008 – Dec 2020)
- Reduce annual GHG emissions by 36% by 2025

Conduct

- Effectively embed conduct risk into product governance across the Group (Jan 2019 – Dec 2019)

Financial crime compliance

- All eligible staff to complete relevant ABC, AML and sanctions training with less than 2% overdue (Ongoing)
- Deliver at least 10 correspondent banking academies (Jan 2019 – Dec 2019)

Concluded in the year	Ongoing aspirations
Achieved	On track
Not achieved	Not on track

Sustainable and responsible business continued

Responsible Company continued

Promoting good conduct

Good conduct is a priority for our stakeholders and for the Group.

We continue to make good progress on our conduct, embedding practices that help us identify, aggregate and manage Conduct Risk as part of our Group-wide approach to risk management.

In 2019, we strengthened Conduct Risk management, focusing on fair outcomes for clients by formalising conduct considerations in strategy design and product governance.

Our Code of Conduct remains the central tool through which we set our conduct expectations. The Code supports a culture where: employees are encouraged to demonstrate good judgement, integrity, and a strong sense of personal accountability when they make decisions; leaders are empowered to recruit and recognise employees based on good conduct; and performance objectives and reward mechanisms are linked to our valued behaviours.

Conduct training is obligatory and employees are asked annually to recommit to the Code. In 2019, 99.5 per cent recommitted to the Code.

In 2020, we will challenge and support our employees to identify and mitigate Conduct Risk as we continue to promote good conduct across the Group.

See page 223 for more on our approach to conduct risk

Percentage of employees recommitted to the Group Code of Conduct in 2019

99.5%

Speaking Up

Speaking Up is our confidential and anonymous whistleblowing programme. It includes independent and secure channels for anyone – employees, contractors, suppliers and members of the public – to raise concerns.

During 2019, 1,383 concerns were raised through Speaking Up, of which 528 were within scope of the programme and investigated or resolved. Themes included breaches of operating procedures, failures in information and cyber security and breaches of our Code of Conduct. During the period, 453 cases were closed following investigation (these included cases raised in 2019 as well as in prior years) of which 263 were substantiated while 190 were closed as unsubstantiated. A range of corrective actions were taken. These include process improvements, targeted coaching and training and, for 97 cases, disciplinary sanctions ranging from verbal warning to dismissals.

Results from our 2019 My Voice employee survey continue to demonstrate confidence in the programme with 91 per cent of employees responding favourably to the statement: 'I feel comfortable to speak up if I see a violation of the Bank's policies, valued behaviours and Code of Conduct.'

As part of our commitment to Speaking Up, we invested in a new system to enable better management of cases.

In 2020, we will continue to raise awareness and use by launching a digital learning toolkit.

Speaking Up cases

			Closed[3]	
Year	Total raised[1]	In scope[2]	Substantiated[4]	Unsubstantiated
2019	**1,383**	**528**	**263**	**190**
2018*	1,473	590	305	275
2017*	1,183	460	201	296

1 Total concerns raised within the reporting year

2 A concern under the FCA whistleblowing rules that is raised within the reporting year and considered within the scope of the Speaking Up programme. For the purposes of this report, this number also includes any cases pending triage assessment at the point of reporting

3 This represents all cases closed within the reporting year. This includes cases that were raised in the reporting year and in previous years

4 Closed and with sufficient evidence supporting the original allegation(s)

* Case numbers reported in prior years differ from those reported in this period due to closed cases being either reclassified, based on new information, or updated for administrative reasons.

+ Download our Group Code of Conduct at sc.com/codeofconduct and visit sc.com/speakingup to find more about how our Speaking Up programme works

Fighting financial crime

We believe partnering to lead in the fight against financial crime is the best way to protect our business, clients and wider communities from its damaging effects. By cutting off funding sources, we help make the financial system a hostile environment for criminals and support positive economic development in our markets.

We have comprehensive safeguards in place to address threats including money laundering, terrorist financing, sanctions compliance breaches, bribery and other forms of corruption. A dedicated Financial Crime Compliance (FCC) team leads our Financial Crime Risk management activities, which include adhering to anti-money laundering and sanctions policies and applying core controls such as client due-diligence screening and monitoring. See the Risk review on page 225 for more on how we manage Financial Crime Risk.

Anti-bribery and corruption (ABC) policies aim to prevent colleagues, or third parties working on our behalf, from participating in active or passive bribery or corruption, or from making facilitation payments. In 2019, 99.9 per cent of colleagues completed ABC training, 99.9 per cent completed anti-money laundering training and 99.9 per cent completed sanctions training.

By working in partnership with our client banks, we share best practices on controls for managing Financial Crime Risk and in doing so build a strong network to keep criminal activity out of the financial system. In 2019, we further strengthened our partnerships as we surpassed our target of at least 10 Correspondent Banking Academies, delivering 19 training sessions in 49 countries.

In 2020, we will continue to adapt our controls to emerging threats by ensuring we have highly trained and experienced employees working with new technologies to detect any abuse of the financial system. We will also continue to partner with, and educate, peer banks and clients in the detection and control of financial crime risks.

+ For more visit, sc.com/fightingfinancialcrime

Respecting human rights

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

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

In 2019, we continued to review and enhance our controls relating to modern slavery, including via collaborative dialogue with one of our investors. Our 2019 Modern Slavery Statement, which is approved by the Group's Board, details the actions we are taking as a result. These include changes to risk assessment processes for suppliers, and a review of our strategic suppliers to assess their standards and practices in managing modern slavery risks in their onward supply chains.

+ Read our 2019 Modern Slavery Statement at sc.com/modernslavery

Reduce emissions from our operations by 2030[1] to reach

Net Zero

Managing our environmental footprint

We are committed to reducing the direct environmental impact of our branches and offices. To do this, we measure and manage their energy and water efficiency, greenhouse gas emissions and paper use. We also measure the amount of non-hazardous waste our branches and offices generate and recycle. We do not produce or handle, and therefore do not report information on, material quantities of hazardous waste.

Our reporting criteria sets out the principles and methodology for measuring our emissions. Our Scope 1 and 2 emissions, as well as water and waste data, are independently assured by Global Documentation.

We have met our long-term targets for energy efficiency, reducing consumption in temperate climates by 44 per cent and tropical climates by 38 per cent between 2008 and 2019. Further expansion of our LED lighting conversions, effective space management and more efficient equipment is the core principle behind the efficiency gains.

We have measured our greenhouse gas (GHG) emissions since 2008, and last year adopted science-based targets (SBT) to significantly reduce our carbon footprint. In 2019, we reduced our annual GHG emissions by 22 per cent by reducing our reliance on diesel generators. A temporary increase in emissions from our global data centres was the result of additional capacity being used as we migrated to new, more energy efficient data centres.

During the year, we set more ambitious targets to achieve net zero emissions and only use renewable energy sources by 2030. We are reviewing fuels and increasing renewable energy sources to deliver the efficiency improvements needed across our properties to meet these challenging targets.

Water availability is a growing challenge in our markets. Although we did not face any issues sourcing water that was fit for purpose in 2019, we continue to take a sustainable and responsible approach to managing water across the Group. We reduced consumption by 29 per cent in 2019 and 72 per cent between 2008 and 2019 by installing ultra-low flow water devices, targeting markets with high water usage and improving our behaviour towards water use.

Our aim is to reduce paper use across our operations and since 2012, we have reduced consumption by 27 per cent. In 2019, we improved our paper reporting and worked with country technology teams to look at ways to support local paper reduction.

Our Group Chief Executive communicated with employees globally, encouraging them to go paperless as part of wider efforts to reduce our environmental impact. Further action will be needed to achieve our 57 per cent reduction target between 2012 and the end of 2020.

We are committed to reducing waste in all its forms and have prevented more than one million disposable cups going to landfill annually since 2017. We are working to remove single-use plastic from all our operations. We choose to send non-recyclable waste to energy generation or compost so that we limit our impact on landfill where possible. In 2019, we strengthened our commitment with ambitious new targets to reduce waste to 40 kilograms per employee and recycle 90 per cent of our waste by 2025.

We continue to identify ways to improve our environmental performance. In 2019, we extended our third-party assurance to include water and waste.

In 2020, we will focus on reducing waste further and taking the necessary steps to meet our SBTs for greenhouse gas emissions.

+ Read the principles and methodology for measuring our greenhouse gas emissions at sc.com/environmentcriteria

+ Read the independent assurance for our energy and greenhouse gas emissions (Scope 1 and 2) at sc.com/environmentalassurance

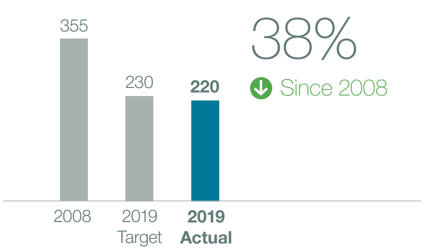
ENVIRONMENT

Reducing our energy use in West Africa

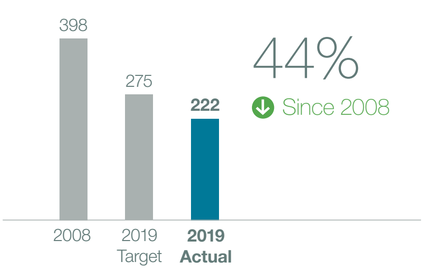
Many of our markets in West Africa lack reliable and consistent access to clean electricity. They rely on diesel generators that can be inefficient and produce high greenhouse gas emissions. In 2019, our property teams in Sierra Leone, The Gambia, Ghana, Nigeria and Côte d Ivoire introduced improvements that delivered a 30 per cent reduction in energy use across the region. Measures included upgrading air conditioning units, fitting LED lights, upgrading and right sizing generators and installing solar photovoltaic panels.

Annual energy use of our property (kWh/m^2/year)[2]

Tropical climate



Temperate climate



1 Net zero: In aggregate, we do not produce any emissions from our operations (Scope 1 & 2)

2 Tropical energy usage relates to cooling; temperate energy usage relates to both heating and cooling

Sustainable and responsible business continued

Inclusive Communities

Stakeholders

3

Society

Regulators & governments

We aim to create more inclusive economies by sharing our skills and expertise, and developing community programmes that transform lives.

2019 SUSTAINABILITY ASPIRATIONS: INCLUSIVE COMMUNITIES

Communities

- Invest 0.75% of prior year operating profit in communities (Jan 2006 – Dec 2020) — On track
- Raise $50m for Futuremakers by Standard Chartered (Jan 2019 – Dec 2023) — On track

Education

- Reach one million girls and young women through Goal (Jan 2006 – Dec 2023) — On track

Employability

- Reach 100,000 young people (Jan 2019 – Dec 2023) — On track

Entrepreneurship

- Reach 50,000 young people, micro and small businesses (Jan 2019 – Dec 2023) — On track

Visual impairment

- Support the development of the Vision Catalyst Fund (Jan 2019 – Dec 2020) — On track

Concluded in the year	Ongoing aspirations
Achieved	On track
Not achieved	Not on track

In 2019, we invested $51.1 million in communities and employees contributed more than 51,300 volunteering days.

In the first year of Futuremakers by Standard Chartered, our new global initiative to tackle inequality, we contributed $9.4 million through fundraising and Group donations. Our target is to raise $50 million between 2019 and 2023 through fundraising and Group donations to empower the next generation to learn, earn and grow.

As part of Futuremakers, we expanded Goal, our existing girls' empowerment programme, which reached more than 108,400 girls and young women in 2019. Goal reached more than 590,300 between 2006 and 2019.

We also launched new global programmes in 2019. Youth to Work reached 1,834 young people through employability projects. In addition, we reached 9,269 young people and small businesses through entrepreneurship activities, including our Women in Tech (WiT) incubators. In 2019, we launched WiT in Pakistan, UAE and Nigeria to support women-led ventures enabled by technology.

We are continuing to support the delivery of eye health projects as part of Seeing is Believing (SiB), our global initiative to tackle avoidable blindness. Between 2003 and 2019, we reached 212.7 million people through SiB, and raised and matched a total of $104.2 million. We are using our knowledge and experience from SiB to mobilise support for the Vision Catalyst Fund (VCF), which aims to raise $1 billion to fund sustainable eye care projects, and by supporting people with visual impairments through Futuremakers.

In 2020, we will scale-up and roll-out Futuremakers programmes, continue to support the creation of the VCF and develop and implement a robust measurement and evaluation framework for our community programmes. We will host our first Futuremakers Forum bringing together programme participants, clients and development experts. From 2020, we will also be working towards encouraging 55 per cent of employees to participate in volunteering annually between 2020 and 2023.

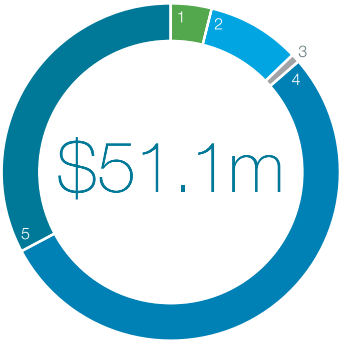
The Standard Chartered Foundation was established in 2019 to advance charitable purposes. It will be the Group's lead partner in delivering its philanthropic activities, including Futuremakers by Standard Chartered.

During the year, the Board received an update on Futuremakers, SiB and the establishment of the Foundation, confirming the Group's approach and encouraging the Management Team to advance our community investment and engagement activities.

Our community expenditure 2019

1. Leverage[1]	3.7%
2. Management costs	8.8%
3. Gifts in kind	0.6%
4. Cash contributions	53.8%
5. Employee time (non-cash item)	33.1%

1 Leverage data relates to the proceeds from staff and other fundraising activity



GIRLS' EMPOWERMENT

Measuring Goal's impact

We measure the impact of our community programmes to ensure they are delivering on our objectives. In 2019, we commissioned global development think tank, Overseas Development Institute (ODI) to assess Goal s impact.

Using data and interviews with Goal girls, their families and communities, ODI found strong evidence of Goal s positive and lasting impact on girls. After completing Goal, girls reported a 14 per cent increase in self confidence, a 28 per cent increase in knowledge about health, and an 18 per cent increase in knowledge about savings and finance. The full report will be shared around International Women s Day.

Non-financial information statement

This table sets out where shareholders and stakeholders can find information about key non-financial matters in this report, in compliance with the non-financial reporting requirements contained in sections 414CA and 414 CB of the Companies Act 2006. Further disclosures are available on sc.com and in our 2019 Sustainability Summary.

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1 Visit sc.com/environmentcriteria for our carbon emissions criteria and sc.com/environmentalassurance for Global Documentation's Assurance Statement of our Scope 1 and 2 emissions, and waste and water data

BELT & ROAD

Our first-ever global running event along the Belt & Road

At the beginning of 2019, eight of our employees set off to run across 44 markets over the course of 90 days in the first-ever global running event spanning the Belt & Road Initiative.

The Standard Chartered Belt & Road Relay began in Hong Kong on 17 February and ended in Beijing, China on 11 May, covering a total of 353km.

Our staff runners were selected from our diverse footprint across Asia, Africa, the Middle East, and Europe and the Americas.

We are present in two-thirds of Belt & Road markets, and our rich heritage, deep local knowledge and unparalleled connectivity mean that we're ideally placed to help our partners, clients and communities to make the most out of the initiative.

We have been connecting Asia, Africa, the Middle East, and Europe and the Americas for more than 160 years.

"We have been connecting Asia, Africa, the Middle East, Europe and the Americas for more than 160 years"

Underlying versus statutory results reconciliations

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

Operating income by client segment

	2019					
	Corporate & Institutional Banking $million	**Retail Banking $million**	**Commercial Banking $million**	**Private Banking $million**	**Central & other items $million**	**Total $million**
Underlying operating income	**7,185**	**5,171**	**1,478**	**577**	**860**	**15,271**
Restructuring[1]	**146**	**–**	**4**	**–**	**(4)**	**146**
Statutory operating income	**7,331**	**5,171**	**1,482**	**577**	**856**	**15,417**

	2018					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Underlying operating income	6,860	5,041	1,391	516	1,160	14,968
Restructuring[1]	(257)	–	(1)	2	8	(248)
Gains arising on repurchase of senior and subordinated liabilities[1]	3	–	–	–	66	69
Statutory operating income	6,606	5,041	1,390	518	1,234	14,789

1 Refer to Note 2 for further details

Operating income by region

	2019					
	Greater China & North Asia $million	**ASEAN & South Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items $million**	**Total $million**
Underlying operating income	**6,155**	**4,213**	**2,562**	**1,725**	**616**	**15,271**
Restructuring[1]	**87**	**(2)**	**–**	**–**	**61**	**146**
Statutory operating income	**6,242**	**4,211**	**2,562**	**1,725**	**677**	**15,417**

	2018					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	6,157	3,971	2,604	1,670	566	14,968
Restructuring[1]	(7)	21	1	6	(269)	(248)
Gains arising on repurchase of senior and subordinated liabilities[1]	–	–	–	3	66	69
Statutory operating income	6,150	3,992	2,605	1,679	363	14,789

1 Refer to Note 2 for further details

Profit before taxation

	2019						
	Underlying $million	**Provision for regulatory matters $million**	**Restructuring $million**	**Gains arising on repurchase of senior and subordinated liabilities $million**	**Goodwill impairment $million**	**Share of profits of PT Bank Permata Tbk joint venture $million**	**Statutory $million**
Operating income	**15,271**	**–**	**146**	**–**	**–**	**–**	**15,417**
Operating expenses	**(10,409)**	**(226)**	**(298)**	**–**	**–**	**–**	**(10,933)**
Operating profit/(loss) before impairment losses and taxation	**4,862**	**(226)**	**(152)**	**–**	**–**	**–**	**4,484**
Credit impairment	**(906)**	**–**	**(2)**	**–**	**–**	**–**	**(908)**
Other impairment	**(38)**	**–**	**(98)**	**–**	**(27)**	**–**	**(163)**
Profit from associates and joint ventures	**254**	**–**	**(2)**	**–**	**–**	**48**	**300**
Profit/(loss) before taxation	**4,172**	**(226)**	**(254)**	**–**	**(27)**	**48**	**3,713**

	2018						
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Gains arising on repurchase of senior and subordinated liabilities $million	Goodwill impairment $million	Share of profits of PT Bank Permata Tbk joint venture $million	Statutory $million
Operating income	14,968	–	(248)	69	–	–	14,789
Operating expenses	(10,464)	(900)	(283)	–	–	–	(11,647)
Operating profit/(loss) before impairment losses and taxation	4,504	(900)	(531)	69	–	–	3,142
Credit impairment	(740)	–	87	–	–	–	(653)
Other impairment	(148)	–	(34)	–	–	–	(182)
Profit from associates and joint ventures	241	–	–	–	–	–	241
Profit/(loss) before taxation	3,857	(900)	(478)	69	–	–	2,548

Profit before taxation by client segment

	2019					
	Corporate & Institutional Banking $million	**Retail Banking $million**	**Commercial Banking $million**	**Private Banking $million**	**Central & other items $million**	**Total $million**
Operating income	**7,185**	**5,171**	**1,478**	**577**	**860**	**15,271**
External	**7,356**	**4,223**	**1,539**	**329**	**1,824**	**15,271**
Inter-segment	**(171)**	**948**	**(61)**	**248**	**(964)**	**–**
Operating expenses	**(4,361)**	**(3,754)**	**(907)**	**(514)**	**(873)**	**(10,409)**
Operating profit/(loss) before impairment losses and taxation	**2,824**	**1,417**	**571**	**63**	**(13)**	**4,862**
Credit impairment	**(474)**	**(336)**	**(123)**	**31**	**(4)**	**(906)**
Other impairment	**(32)**	**2**	**–**	**–**	**(8)**	**(38)**
Profit from associates and joint ventures	**–**	**–**	**–**	**–**	**254**	**254**
Underlying profit before taxation	**2,318**	**1,083**	**448**	**94**	**229**	**4,172**
Provision for regulatory matters	**–**	**–**	**–**	**–**	**(226)**	**(226)**
Restructuring	**(110)**	**(63)**	**(11)**	**(11)**	**(59)**	**(254)**
Goodwill impairment	**–**	**–**	**–**	**–**	**(27)**	**(27)**
Share of profits of PT Bank Permata Tbk joint venture	**–**	**–**	**–**	**–**	**48**	**48**
Statutory profit/(loss) before taxation	**2,208**	**1,020**	**437**	**83**	**(35)**	**3,713**

	2018					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	6,860	5,041	1,391	516	1,160	14,968
External	7,055	4,493	1,570	270	1,580	14,968
Inter-segment	(195)	548	(179)	246	(420)	–
Operating expenses	(4,396)	(3,736)	(923)	(530)	(879)	(10,464)
Operating profit/(loss) before impairment losses and taxation	2,464	1,305	468	(14)	281	4,504
Credit impairment	(242)	(267)	(244)	–	13	(740)
Other impairment	(150)	(5)	–	–	7	(148)
Profit from associates and joint ventures	–	–	–	–	241	241
Underlying profit/(loss) before taxation	2,072	1,033	224	(14)	542	3,857
Provision for regulatory matters	(50)	–	–	–	(850)	(900)
Restructuring	(350)	(68)	(12)	(24)	(24)	(478)
Gains arising on repurchase of senior and subordinated liabilities	3	–	–	–	66	69
Statutory profit/(loss) before taxation	1,675	965	212	(38)	(266)	2,548

Profit before taxation by region

	2019					
	Greater China & North Asia $million	**ASEAN & South Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items $million**	**Total $million**
Operating income	**6,155**	**4,213**	**2,562**	**1,725**	**616**	**15,271**
Operating expenses	**(3,771)**	**(2,681)**	**(1,747)**	**(1,470)**	**(740)**	**(10,409)**
Operating profit/(loss) before impairment losses and taxation	**2,384**	**1,532**	**815**	**255**	**(124)**	**4,862**
Credit impairment	**(194)**	**(506)**	**(132)**	**(98)**	**24**	**(906)**
Other impairment	**(5)**	**(1)**	**1**	**–**	**(33)**	**(38)**
Profit from associates and joint ventures	**247**	**–**	**–**	**–**	**7**	**254**
Underlying profit/(loss) before taxation	**2,432**	**1,025**	**684**	**157**	**(126)**	**4,172**
Provision for regulatory matters	**–**	**–**	**–**	**–**	**(226)**	**(226)**
Restructuring	**(138)**	**(34)**	**(18)**	**(34)**	**(30)**	**(254)**
Goodwill impairment	**–**	**–**	**–**	**–**	**(27)**	**(27)**
Share of profits of PT Bank Permata Tbk joint venture	**–**	**48**	**–**	**–**	**–**	**48**
Statutory profit/(loss) before taxation	**2,294**	**1,039**	**666**	**123**	**(409)**	**3,713**

	2018					
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	6,157	3,971	2,604	1,670	566	14,968
Operating expenses	(3,812)	(2,711)	(1,810)	(1,453)	(678)	(10,464)
Operating profit/(loss) before impairment losses and taxation	2,345	1,260	794	217	(112)	4,504
Credit impairment	(71)	(322)	(262)	(83)	(2)	(740)
Other impairment	(110)	6	–	17	(61)	(148)
Profit from associates and joint ventures	205	26	–	3	7	241
Underlying profit/(loss) before taxation	2,369	970	532	154	(168)	3,857
Provision for regulatory matters	–	–	–	(50)	(850)	(900)
Restructuring	(106)	105	(100)	(8)	(369)	(478)
Gains arising on repurchase of senior and subordinated liabilities	–	–	–	3	66	69
Statutory profit/(loss) before taxation	2,263	1,075	432	99	(1,321)	2,548

Return on tangible equity (RoTE)

	2019					
	Corporate & Institutional Banking %	Retail Banking %	Commercial Banking %	Private Banking %	Central & other items %	Total %
Underlying RoTE	**8.5**	**12.6**	**7.3**	**7.3**	**(5.1)**	**6.4**
Provision for regulatory matters	–	–	–	–	(3.1)	(0.6)
Restructuring						
Of which: Income	0.7	–	0.1	–	–	0.4
Of which: Expenses	(0.8)	(1.0)	(0.3)	(1.2)	(0.6)	(0.8)
Of which: Other impairment	(0.5)	–	–	–	(0.1)	(0.3)
Goodwill impairment	–	–	–	–	(0.4)	(0.1)
Share of profits of PT Bank Permata Tbk joint venture	–	–	–	–	0.6	0.1
Tax on normalised items	0.2	0.2	0.1	0.3	(2.8)	(0.3)
Statutory RoTE	**8.1**	**11.8**	**7.2**	**6.4**	**(11.5)**	**4.8**

	2018					
	Corporate & Institutional Banking %	Retail Banking %	Commercial Banking %	Private Banking %	Central & other items %	Total %
Underlying RoTE	7.4	11.8	3.4	(1.0)	(4.8)	5.1
Provision for regulatory matters	(0.2)	–	–	–	(11.4)	(2.3)
Restructuring						
Of which: Income	(1.3)	–	–	0.2	0.1	(0.6)
Of which: Expenses	(0.8)	(1.1)	(0.3)	(1.7)	(0.4)	(0.7)
Of which: Credit impairment	0.5	–	–	(1.3)	–	0.2
Of which: Other impairment	(0.2)	–	–	–	–	(0.1)
Gains arising on repurchase of senior and subordinated liabilities	–	–	–	–	0.9	0.2
Tax on normalised items	0.6	0.3	0.1	0.8	(3.3)	(0.2)
Statutory RoTE	6.0	11.0	3.2	(3.0)	(18.9)	1.6

Earnings per ordinary share

	2019							
	Underlying $million	**Provision for regulatory matters $million**	**Restructuring $million**	**Profit from joint venture $million**	**Gains arising on repurchase of senior and subordinated liabilities $million**	**Goodwill impairment $million**	**Tax on normalised items[1] $million**	**Statutory $million**
Profit for the year attributable to ordinary shareholders	**2,466**	**(226)**	**(254)**	**48**	**–**	**(27)**	**(152)**	**1,855**
Basic – Weighted average number of shares (millions)	**3,256**							**3,256**
Basic earnings per ordinary share (cents)	**75.7**							**57.0**

	2018							
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Profit from joint venture $million	Gains arising on repurchase of senior and subordinated liabilities $million	Goodwill impairment $million	Tax on normalised items[1] $million	Statutory $million
Profit for the year attributable to ordinary shareholders	2,031	(900)	(478)	–	69	–	(104)	618
Basic – Weighted average number of shares (millions)	3,306							3,306
Basic earnings per ordinary share (cents)	61.4							18.7

Alternative performance measures

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The following are key alternative performance measures used by the Group to assess financial performance and financial position.

Measure	Definition
Constant currency basis	A performance measure on a constant currency basis is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: → Operating income → Operating expenses → Profit before tax → RWAs or Risk-weighted assets
Underlying	A performance measure is described as underlying if the statutory result has been adjusted for restructuring and other items representing profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. A reconciliation between underlying and statutory performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such: → Operating income → Operating expense → Profit before tax → Earnings per share → Cost to income ratio → Jaws → RoE or Return on equity → RoTE or Return on tangible equity
Advances-to-deposits/customer advances-to-deposits (ADR) ratio	The ratio of total loans and advances to customers relative to total customer accounts, excluding approved balances held with central banks, confirmed as repayable at the point of stress. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Cost to income ratio	The proportion of total operating expenses to total operating income.
Cover ratio	The ratio of impairment provisions for each stage to the gross loan exposure for each stage.
Cover ratio after collateral/ cover ratio including collateral	The ratio of impairment provisions for stage 3 loans and realisable value of collateral held against these non-performing loan exposures to the gross loan exposure of stage 3 loans.
Gross yield	Statutory interest income divided by average interest earning assets.
Jaws	The difference between the rates of change in revenue and operating expenses. Positive jaws occurs when the percentage change in revenue is higher than, or less negative than, the corresponding rate for operating expenses.
Loan loss rate	Total credit impairment for loans and advances to customers over average loans and advances to customers.
Net tangible asset value per share	Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net yield	Gross yield less rate paid.
NIM or Net interest margin	Net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest-earning assets.
RAR per FTE or Risk adjusted revenue per full-time equivalent	Risk adjusted revenue (RAR) is defined as underlying operating income less underlying impairment over the past 12 months. RAR is then divided by the 12-month rolling average full-time equivalent (FTE) to determine RAR per FTE.
Rate paid	Statutory interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.
RoE or Return on equity	The ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders' equity for the reporting period.
RoTE or Return on ordinary shareholders tangible equity	The ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.
TSR or Total shareholder return	The total return of the Group's equity (share price growth and dividends) to investors.

Viability statement

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

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

In considering the going concern status and viability of the Group, the directors have assessed the key factors likely to affect the Group's business model and strategic plan, future performance, capital adequacy, solvency and liquidity taking into account the emerging risks as well as the principal risks.

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

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

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

To assess the Group's balance sheet vulnerabilities and capital and liquidity adequacy, severe but plausible macrofinancial scenarios explore shocks that trigger one or more of:

- Global slowdowns, including a China hard landing with spillovers within Asia and more broadly via financial and other linkages
- Sharp falls in world trade volumes, including the effects of an extreme worsening in and broadening of recent trade tensions.
- Material and persistent declines in commodity prices
- Financial market turbulence, including a generalised sharp fall in risky asset prices

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

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

Further information on stress testing is provided in the Risk management approach section (page 208).

The Board Risk Committee (BRC) exercises oversight of prudential risks on behalf of the Board. These risks include, among others: credit, market, capital, liquidity and funding, model, operational and information and cyber security risks. It reviews the Group's overall risk appetite and makes recommendations thereon to the Board.

The BRC receives regular reports that inform them of the Group's key risks, as well as updates on the macroeconomic environment, geopolitical outlook, market developments, and regulatory updates in relation to capital, liquidity and risk. In 2019, the BRC had deeper discussions on: Intragroup funding limits and controls, Industry portfolio mandates, ERR function, Climate Risk management, CIB Risk Review, macroeconomic and geopolitical risks (including US-China trade tension, China slowdown and regional impact and Hong Kong social unrest), technology obsolescence, operational resilience, IRB models performance initiatives, RWA strategic review, transition from LIBOR to risk-free rates, RB Risk review, Technology Risk, SC Ventures business ventures, and Safety and Security Risk.

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

Further details of information relevant to the directors' assessment can be found in the following sections of the annual report:

- The Group's Business model (pages 14 to 18) and Strategy (pages 19 to 21)
- The Group's current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions, are described in the client segment reviews and regional reviews (pages 22 to 29)
- An update on the key risk themes of the Group is discussed in the Group Chief Risk Officer's review, found in the Strategic report (pages 38 to 41)
- The BRC section of the Directors' report (pages 92 to 97)
- The Group's Emerging risks, sets out the key external factors that could impact the Group in the coming year (page 40 and pages 228 to 235). Note 26 sets out information relating to legal and regulatory matters.
- The Group's Enterprise Risk Management Framework details how the Group identifies, manages and governs risk (pages 206 to 211)
- The Group's Risk profile provides an analysis of our risk exposures across all Principal Risk Types (page 212 to 227)
- The capital position of the Group, regulatory development and the approach to management and allocation of capital are set out in the Capital review (pages 236 to 241)

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2022.

Our Strategic report from pages 01 to 65 has been reviewed and approved by the Board

Bill Winters
Group Chief Executive

27 February 2020