27 February 2020

Standard Chartered PLC – full-year and fourth quarter 2019 results

Standard Chartered PLC (the Group) today releases its results for the year and quarter ended 31 December 2019. All figures are presented on an underlying basis and comparisons are made to the full-year 2018 on a reported currency basis, unless otherwise stated. A reconciliation of restructuring and other items that have been excluded from underlying results is set out on page 59 of the Annual Report.

"Discipline on the things we control and a sharp focus on where we are differentiated enabled us to grow underlying profit 8% and improve earnings per share by 23% in 2019, despite an increasingly challenging external environment. 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

Progress in 2019 on strategic priorities

- **Deliver our network:** income from corporate and institutional clients using our international network grew 6%
- **Grow our affluent business:** income from Premium, Priority and Private Banking clients increased 6%
- **Optimise low-returning markets:** aggregate profit before tax in India, Indonesia, Korea and UAE improved 10%
- **Improve productivity:** income per full-time employee increased 5%; Hong Kong liquidity hub is delivering benefits
- **Transform and disrupt with digital:** beta-testing virtual bank in Hong Kong; digital banks in nine African markets
- **Drive sustainability:** taking bold and ambitious actions to lead the way on global sustainability issues

Progress in 2019 on financial framework

- **Return on tangible equity** up 130bps to 6.4%
  - Underlying profit before tax up 8% to $4.2bn
  - Statutory profit before tax up 46% to $3.7bn
- **Income** up 2% to $15.3bn; up 4% on a constant currency basis
  - Up 5% at constant currency excluding $(177)m movement in Debit Valuation Adjustment (DVA)
  - 4Q'19 income flat YoY; up 1% at constant currency and up 4% excluding $(118)m movement in DVA
  - 4Q'19 momentum continued into January 2020
- **Costs** (excluding the UK bank levy) down 1% at $10.1bn; up 1% on a constant currency basis
  - Positive income-to-cost jaws of 3%; cost-to-income ratio (excluding UK bank levy) improved 2% to 66%
- **Capital**
  - **Common equity tier 1** ratio remains within 13-14% target range at 13.8%: up 28bps since 3Q'19
  - Proposed $0.5bn share **buy-back** will reduce the CET1 ratio by ~20bps
  - Proposed final ordinary **dividend** per share of 20c will result in full-year dividend of 27c, up 29%
  - **Risk-weighted assets** of $264bn up $6bn or 2%; down $5bn since 3Q'19

Other financial highlights in 2019

- **Pre-provision operating profit** up 8% to $4.9bn
- **Earnings per share** up 14c or 23% to 75.7c
- **Asset quality** remains stable; credit impairment up $166m remains at an historically low level:
  - Stage 1 and 2 impairment increase of $275m including impact of deteriorating macroeconomic variables
  - Stage 3 impairment reduction of $109m: stage 3 loans down 50bps to 2.7% of total, lowest level since 2014
- **Average interest-earning assets** up 4% to $495bn; gross yield up 16bps to 3.34%
- **Average interest-bearing liabilities** up 3% to $445bn; rate paid up 27bps to 1.92%
- **Net interest margin** down 7bps to 1.62%

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 outbreak will likely result in income growth in 2020 below our medium-term 5-7% target range. These headwinds are expected to be transitory, but we now believe it will take longer to achieve our RoTE target of 10% 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 $0.5bn worth of shares starting shortly and will review the potential for making a further capital return upon the completion of the Permata sale.

Standard Chartered PLC – Statement of results

For the year ended 31 December 2019

	2019 $million	2018 $million	Change %[6]
Underlying performance			
Operating income	**15,271**	14,968	2
Operating expenses (including UK bank levy)	**(10,409)**	(10,464)	1
Credit impairment	**(906)**	(740)	(22)
Other impairment	**(38)**	(148)	74
Profit from associates and joint ventures	**254**	241	5
Profit before taxation	**4,172**	3,857	8
Profit/(loss) attributable to ordinary shareholders[1]	**2,466**	2,031	21
Return on ordinary shareholders' tangible equity (%)	**6.4**	5.1	130bps
Cost to income ratio (%) (excluding UK bank levy)	**65.9**	67.7	180bps
Statutory performance			
Operating income	**15,417**	14,789	4
Operating expenses	**(10,933)**	(11,647)	6
Credit impairment	**(908)**	(653)	(39)
Goodwill impairment	**(27)**	-	nm
Other impairment	**(136)**	(182)	25
Profit from associates and joint ventures	**300**	241	24
Profit before taxation	**3,713**	2,548	46
Taxation	**(1,373)**	(1,439)	5
Profit for the year	**2,340**	1,109	111
Profit/(loss) attributable to parent company shareholders	**2,303**	1,054	119
Profit/(loss) attributable to ordinary shareholders[1]	**1,855**	618	200
Return on ordinary shareholders' tangible equity (%)	**4.8**	1.6	325bps
Cost to income ratio (%) (including UK bank levy)	**70.9**	78.8	784bps
Balance sheet and capital			
Total assets	**720,398**	688,762	5
Total equity	**50,661**	50,352	1
Tangible equity attributable to ordinary shareholders[1]	**38,574**	39,613	(3)
Loans and advances to customers	**268,523**	256,557	5
Customer accounts	**405,357**	391,013	4
Risk weighted assets	**264,090**	258,297	2
Total capital	**55,965**	55,696	-
Net Interest Margin (%) (adjusted)	**1.62**	1.69	(7)bps
Advances-to-deposits ratio (%)[2]	**64.2**	63.1	115
Liquidity coverage ratio (%)	**144**	154	(10)
Common Equity Tier 1 ratio (%)	**13.8**	14.2	(40)
Total capital (%)	**21.2**	21.6	(40)
UK leverage ratio (%)	**5.2**	5.6	(40)

Information per ordinary share	Cents	Cents	Cents
Earnings per share – underlying[3]	**75.7**	61.4	14.3
– statutory[3]	**57.0**	18.7	38.3
Ordinary dividend per share[4]	**27**	21	6
Net asset value per share[5]	**1,358**	1,319	39
Tangible net asset value per share[5]	**1,192**	1,168	25
Number of ordinary shares at period end (m)	**3,191**	3,307	(3)

1 Profit/(loss) attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity
2 When calculating this ratio, total loans and advances to customers excludes reverse repurchase agreements and other similar secured lending, excludes approved balances held with central banks, confirmed as repayable at the point of stress and includes loans and advances to customers held at fair value through profit and loss. Total customer accounts includes customer accounts held at fair value through profit or loss.
3 Represents the underlying or statutory earnings divided by the basic weighted average number of shares
4 Represents the recommended ordinary dividend per share
5 Calculated on period end net asset value, tangible net asset value and number of shares
6 Variance is better/(worse) other than assets, liabilities and risk weighted assets

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Forward-looking statements

This document may contain 'forward-looking statements' that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning. By their very nature, such statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future.

No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

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

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

'Driving more profitable and sustainable growth'

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

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.

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

'Delivering on our commitments'

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

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 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

'An encouraging and resilient performance'

Summary of financial performance

	4Q'19 $million	4Q'18 $million	Change %	Constant currency change[2] %	3Q'19[1] $million	Change %	FY'19 $million	FY'18 $million	Change %	Constant currency change[2] %
Net interest income[1]	**1,899**	2,029	(6)		1,937	(2)	**7,698**	7,840	(2)	
Other income[1]	**1,698**	1,566	8		2,041	(17)	**7,573**	7,128	6	
Underlying operating income	**3,597**	3,595	-	1	3,978	(10)	**15,271**	14,968	2	4
Other operating expenses	**(2,592)**	(2,512)	(3)	(4)	(2,501)	(4)	**(10,062)**	(10,140)	1	(1)
UK bank levy	**(347)**	(324)	(7)		-	nm[3]	**(347)**	(324)	(7)	
Underlying operating expenses	**(2,939)**	(2,836)	(4)	(4)	(2,501)	(18)	**(10,409)**	(10,464)	1	(2)
Underlying operating profit before impairment and taxation	**658**	759	(13)	(12)	1,477	(55)	**4,862**	4,504	8	10
Credit impairment	**(373)**	(332)	(12)		(279)	(34)	**(906)**	(740)	(22)	
Other impairment	**(12)**	(21)	43		(5)	(140)	**(38)**	(148)	74	
Profit from associates and joint ventures	**52**	26	100		45	16	**254**	241	5	
Underlying profit before taxation	**325**	432	(25)	(24)	1,238	(74)	**4,172**	3,857	8	10
Provision for regulatory matters	**-**	(900)	100		(22)	100	**(226)**	(900)	75	
Restructuring	**(117)**	(392)	70		(123)	5	**(254)**	(478)	47	
Other items	**(14)**	-	nm[3]		12	nm[3]	**21**	69	(70)	
Statutory profit/(loss) before taxation	**194**	(860)	123	123	1,105	(82)	**3,713**	2,548	46	49
Taxation	**(122)**	(376)	68		(333)	63	**(1,373)**	(1,439)	5	
Profit/(loss) for the period	**72**	(1,236)	106	106	772	(91)	**2,340**	1,109	111	113
Net interest margin (%)[1]	**1.54**	1.72			1.61		**1.62**	1.69		
Underlying return on tangible equity (%)	**(0.1)**	(1.9)			8.9		**6.4**	5.1		
Underlying earnings per share (cents)	**(0.4)**	(5.6)			26.6		**75.7**	61.4		
Statutory return on tangible equity (%)	**(1.3)**	(14.5)			7.5		**4.8**	1.6		
Statutory earnings/(loss) per share (cents)	**(3.9)**	(43.3)			22.5		**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 in the Annual Report
2 Comparisons presented on the basis of the current period's functional currency rate, ensuring like-for-like currency rates between the two periods
3 Not meaningful

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
- **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

Operating income by product

	4Q'19 $million	4Q'18 $million	Change %	3Q'19 $million	Change %	FY'19 $million	FY'18 $million	Change %
Transaction Banking	921	942	(2)	976	(6)	3,849	3,718	4
Trade	259	257	1	282	(8)	1,100	1,123	(2)
Cash Management	577	604	(4)	606	(5)	2,406	2,262	6
Securities Services	85	81	5	88	(3)	343	333	3
Financial Markets	631	580	9	789	(20)	2,916	2,612	12
Foreign Exchange	264	232	14	261	1	1,128	1,001	13
Rates	163	63	159	176	(7)	696	555	25
Commodities	37	50	(26)	39	(5)	165	192	(14)
Credit and Capital Markets	125	83	51	167	(25)	577	324	78
Capital Structuring Distribution Group	86	91	(5)	87	(1)	329	309	6
DVA	(72)	46	nm[3]	14	nm[3]	(100)	77	nm[3]
Other Financial Markets	28	15	87	45	(38)	121	154	(21)
Corporate Finance[1, 2]	328	370	(11)	281	17	1,143	1,186	(4)
Lending and Portfolio Management[2]	202	181	12	204	(1)	792	755	5
Wealth Management	415	343	21	488	(15)	1,878	1,799	4
Retail Products	957	925	3	971	(1)	3,849	3,750	3
CCPL and other unsecured lending	311	294	6	315	(1)	1,251	1,310	(5)
Deposits	483	481	-	508	(5)	1,982	1,782	11
Mortgage and Auto	129	127	2	123	5	508	573	(11)
Other Retail Products	34	23	48	25	36	108	85	27
Treasury	196	253	(23)	335	(41)	1,090	1,223	(11)
Other	(53)	1	nm[3]	(66)	20	(246)	(75)	nm[3]
Total underlying operating income	3,597	3,595	-	3,978	(10)	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

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

	4Q'19 $million	4Q'18 $million	Change %	3Q'19 $million	Change %	FY'19 $million	FY'18 $million	Change %
Corporate & Institutional Banking	375	495	(24)	589	(36)	2,318	2,072	12
Retail Banking	167	142	18	298	(44)	1,083	1,033	5
Commercial Banking	44	13	nm[1]	118	(63)	448	224	100
Private Banking	(3)	(9)	67	(3)	-	94	(14)	nm[1]
Central & other items (segment)	(258)	(209)	(23)	236	nm[1]	229	542	(58)
Underlying profit before taxation	325	432	(25)	1,238	(74)	4,172	3,857	8
Greater China & North Asia	493	515	(4)	610	(19)	2,432	2,369	3
ASEAN & South Asia	23	116	(80)	242	(90)	1,025	970	6
Africa & Middle East	96	41	134	147	(35)	684	532	29
Europe & Americas	82	52	58	62	32	157	154	2
Central & other items (region)	(369)	(292)	(26)	177	nm[1]	(126)	(168)	25
Underlying profit before taxation	325	432	(25)	1,238	(74)	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

	4Q'19 $million	restated 4Q'18[1] $million	Change[2] %	restated 3Q'19[1] $million	Change[2] %	FY'19 $million	restated FY'18[1] $million	Change[2] %
Adjusted net interest income	**1,978**	2,079	(5)	2,025	(2)	**8,007**	8,032	-
Average interest-earning assets	**508,001**	479,496	6	499,260	2	**494,756**	476,114	4
Average interest-bearing liabilities	**457,413**	424,461	8	451,579	1	**444,595**	430,167	3
Gross yield (%)[3]	**3.19**	3.38	(19)	3.3	(11)	**3.34**	3.18	16
Rate paid (%)[3]	**1.83**	1.87	(4)	1.87	(4)	**1.92**	1.65	27
Net yield (%)[3]	**1.36**	1.51	(15)	1.43	(7)	**1.42**	1.53	(11)
Net interest margin (%)[3,4,5]	**1.54**	1.72	(18)	1.61	(7)	**1.62**	1.69	(7)

1 The Group has changed its accounting policies for net interest income, net trading income . Prior periods have been restated. Refer to Note 1 to the financial statements
2 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)
3 Change is the basis points (bps) difference between the two periods rather than the percentage change
4 Adjusted net interest income divided by average interest-earning assets, annualised
5 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 notes to the financial statements in the Annual Report 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] $million			
	Total	Ongoing business	Liquidation portfolio	Total	Increase/ (decrease) %
Gross loans and advances to customers[3]	**274,306**	261,216	1,769	262,985	4
Of which stage 1 and 2	**266,908**	254,445	86	254,531	5
Of which stage 3	**7,398**	6,771	1,683	8,454	(12)
Expected credit loss provisions	**(5,783)**	(5,054)	(1,374)	(6,428)	(10)
Of which stage 1 and 2	**(779)**	(838)	(4)	(842)	(7)
Of which stage 3	**(5,004)**	(4,216)	(1,370)	(5,586)	(10)
Net loans and advances to customers	**268,523**	256,162	395	256,557	5
Of which stage 1 and 2	**266,129**	253,607	82	253,689	5
Of which stage 3	**2,394**	2,555	313	2,868	**(17)**
Cover ratio of stage 3 before/after collateral (%)	**68 / 85**	62 / 82	81 / 95	66 / 85	2 / 0
Credit grade 12 accounts ($million)	**1,605**	1,437	86	1,523	5
Early alerts ($million)	**5,271**	4,767	-	4,767	11
Investment grade corporate exposures (%)	**61**	62	-	62	(1)

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

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 notes to the financial statements in the Annual Report 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	30.09.19 $million	Change[1] %	30.06.19 $million	Change[1] %	31.12.18 $million	Change[1] %
Assets							
Loans and advances to banks	**53,549**	60,743	(12)	59,210	(10)	61,414	(13)
Loans and advances to customers	**268,523**	269,703	-	263,595	2	256,557	5
Other assets	**398,326**	404,354	(1)	389,699	2	370,791	7
Total assets	**720,398**	734,800	(2)	712,504	1	688,762	5
Liabilities							
Deposits by banks	**28,562**	32,603	(12)	30,783	(7)	29,715	(4)
Customer accounts	**405,357**	387,857	5	401,597	1	391,013	4
Other liabilities	**235,818**	263,644	(11)	229,685	3	217,682	8
Total liabilities	**669,737**	684,104	(2)	662,065	1	638,410	5
Equity	**50,661**	50,696	-	50,439	-	50,352	1
Total equity and liabilities	**720,398**	734,800	(2)	712,504	1	688,762	5
Advances-to-deposits ratio (%)[2]	**64.2%**	65.6%		63.7%		63.1%	
Liquidity coverage ratio (%)	**144%**	133%		139%		154%	

1 Variance is increase/(decrease) comparing current reporting period to prior reporting periods
2 The Group now excludes $9,109 million held with central banks (30.06.19: $6,835 million, 31.12.18: $7,412 million, 30.09.18: $7,172 million) that has 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	30.09.19 $million	Change[1] %	30.06.19 $million	Change[1] %	31.12.18 $million	Change[1] %
By risk type							
Credit risk	**215,664**	218,198	(1)	220,010	(2)	211,138	2
Operational risk	**27,620**	27,620	-	27,620	-	28,050	(2)
Market risk	**20,806**	22,850	(9)	23,109	(10)	19,109	9
Total RWAs	**264,090**	268,668	(2)	270,739	(2)	258,297	2

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

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.

Capital base and ratios

	31.12.19 $million	30.09.19 $million	Change[1] %	30.06.19 $million	Change[1] %	31.12.18 $million	Change[1] %
CET1 capital	**36,513**	36,386	-	36,511	-	36,717	(1)
Additional Tier 1 capital (AT1)	**7,164**	7,153	-	6,612	8	6,684	7
Tier 1 capital	**43,677**	43,539	-	43,123	1	43,401	1
Tier 2 capital	**12,288**	11,401	8	11,834	4	12,295	-
Total capital	**55,965**	54,940	2	54,957	2	55,696	-
CET1 capital ratio end point (%)[2]	**13.8**	13.5	0.3	13.5	0.3	14.2	(0.4)
Total capital ratio transitional (%)[2]	**21.2**	20.4	0.8	20.3	0.9	21.6	(0.4)
UK leverage ratio (%)[2]	**5.2**	5.1	0.1	5.3	(0.1)	5.6	(0.4)

1. Variance is increase/(decrease) comparing current reporting period to prior reporting periods
2. 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

Underlying performance 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
Total assets	329,866	108,801	31,244	14,922	235,565	720,398
Of which: loans and advances to customers including FVTPL	156,599	106,570	26,686	14,821	10,078	314,754
loans and advances to customers	111,304	106,332	25,990	14,821	10,076	268,523
loans held at fair value through profit or loss	45,295	238	696	–	2	46,231
Total liabilities	393,040	147,698	36,864	18,480	73,655	669,737
Of which: customer accounts	248,748	144,045	34,083	18,424	7,433	452,733

	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
Total assets	308,496	103,780	31,379	13,673	231,434	688,762
Of which: loans and advances to customers including FVTPL	146,575	101,635	27,271	13,616	10,274	299,371
loans and advances to customers	104,677	101,235	26,759	13,616	10,270	256,557
loans held at fair value through profit or loss	41,898	400	512	–	4	42,814
Total liabilities	369,316	140,328	37,260	19,733	71,773	638,410
Of which: customer accounts	243,019	136,691	34,860	19,622	2,989	437,181

Corporate & Institutional Banking

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	1,710	1,763	(3)	1,868	(8)	7,185	6,860	5
Transaction Banking	712	731	(3)	761	(6)	2,992	2,887	4
Trade	169	166	2	186	(9)	721	729	(1)
Cash Management	459	484	(5)	487	(6)	1,929	1,825	6
Securities Services	84	81	4	88	(5)	342	333	3
Financial Markets	563	519	8	715	(21)	2,617	2,328	12
Foreign Exchange	225	195	15	217	4	950	829	15
Rates	158	58	172	168	(6)	664	527	26
Commodities	31	44	(30)	34	(9)	140	168	(17)
Credit and Capital Markets	121	80	51	164	(26)	564	312	81
Capital Structuring Distribution Group	77	87	(11)	79	(3)	302	285	6
DVA	(72)	46	nm[5]	14	nm[4]	(100)	77	nm[4]
Other Financial Markets	23	9	156	39	(41)	97	130	(25)
Corporate Finance[2, 3]	308	351	(12)	251	23	1,048	1,098	(5)
Lending and Portfolio Management3	135	130	4	147	(8)	553	542	2
Other	(8)	32	(125)	(6)	(33)	(25)	5	nm[4]
Operating expenses	(1,123)	(1,082)	(4)	(1,114)	(1)	(4,361)	(4,396)	1
Operating profit before impairment losses and taxation	587	681	(14)	754	(22)	2,824	2,464	15
Credit impairment	(207)	(169)	(22)	(157)	(32)	(474)	(242)	(96)
Other impairment	(5)	(17)	71	(8)	38	(32)	(150)	79
Underlying profit before taxation	375	495	(24)	589	(36)	2,318	2,072	12
Provision for regulatory matters	-	(50)	100	-	nm[5]	-	(50)	100
Restructuring	(28)	(278)	90	(105)	73	(110)	(350)	69
Gains arising on repurchase of senior and subordinated liabilities	-	-	nm[4]	-	nm[4]	-	3	(100)
Statutory profit before taxation	347	167	108	484	(28)	2,208	1,675	32
Total assets	329,866	308,496	7	354,341	(7)	329,866	308,496	7
Of which: loans and advances to customers including FVTPL	156,599	146,575	7	159,467	(2)	156,599	146,575	7
Total liabilities	393,040	369,316	6	406,895	(3)	393,040	369,316	6
Of which: customer accounts	248,748	243,019	2	246,752	1	248,748	243,019	2
Risk-weighted assets	132,050	128,991	2	137,082	(4)	132,050	128,991	2
Underlying return on risk-weighted assets (%)	1.1	1.5	(40)bps	1.7	(60)bps	1.7	1.5	20bps
Underlying return on tangible equity (%)	5.5	7.5	(200)bps	8.4	(290)bps	8.5	7.4	110bps
Cost to income ratio (%)	65.7	61.4	(430)bps	59.6	(610)bps	60.7	64.1	340bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 In December 2018 it was decided to discontinue the ship operating lease business any future profits and losses will be reported as restructuring. Prior periods have not been restated
3 There has been a reorganisation of certain product teams between Corporate Finance and Lending and Portfolio Management. Prior periods have been restated
4 Not meaningful

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[1] 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[2] 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 Capital-lite income refers to products with low RWA consumption or of a non-funded nature. This mainly includes Cash Management and FX products
2 Our next generation transaction banking digital platform

Retail Banking

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**1,257**	1,153	9	1,319	(5)	**5,171**	5,041	3
Transaction Banking	**5**	5	-	5	-	**19**	20	(5)
Trade	**5**	5	-	5	-	**19**	20	(5)
Wealth Management	**341**	279	22	395	(14)	**1,514**	1,491	2
Retail Products	**903**	870	4	917	(2)	**3,629**	3,535	3
CCPL and other unsecured lending	**311**	294	6	315	(1)	**1,251**	1,310	(5)
Deposits	**439**	435	1	462	(5)	**1,797**	1,603	12
Mortgage and Auto	**118**	118	-	115	3	**472**	537	(12)
Other Retail Products	**35**	23	52	25	40	**109**	85	28
Other	**8**	(1)	nm[2]	2	nm[2]	**9**	(5)	nm[2]
Operating expenses	**(992)**	(927)	(7)	(939)	(6)	**(3,754)**	(3,736)	-
Operating profit before impairment losses and taxation	**265**	226	17	380	(30)	**1,417**	1,305	9
Credit impairment	**(100)**	(79)	(27)	(82)	(22)	**(336)**	(267)	(26)
Other impairment	**2**	(5)	140	-	nm[2]	**2**	(5)	140
Underlying profit before taxation	**167**	142	18	298	(44)	**1,083**	1,033	5
Restructuring	**(54)**	(60)	10	(8)	nm[2]	**(63)**	(68)	7
Statutory profit before taxation	**113**	82	38	290	(61)	**1,020**	965	6
Total assets	**108,801**	103,780	5	104,884	4	**108,801**	103,780	5
Of which: loans and advances to customers including FVTPL	**106,570**	101,635	5	102,786	4	**106,570**	101,635	5
Total liabilities	**147,698**	140,328	5	142,778	3	**147,698**	140,328	5
Of which: customer accounts	**144,045**	136,691	5	139,263	3	**144,045**	136,691	5
Risk-weighted assets	**44,452**	42,903	4	42,714	4	**44,452**	42,903	4
Underlying return on risk-weighted assets (%)	**1.5**	1.3	20bps	2.8	(130)bps	**2.5**	2.4	10bps
Underlying return on tangible equity (%)	**7.4**	6.6	80bps	13.8	(640)bps	**12.6**	11.8	80bps
Cost to income ratio (%)	**78.9**	80.4	150bps	71.2	(770)bps	**72.6**	74.1	150bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

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

Commercial Banking

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**360**	339	6	372	(3)	**1,478**	1,391	6
Transaction Banking	**204**	206	(1)	210	(3)	**838**	811	3
Trade	**85**	86	(1)	91	(7)	**360**	374	(4)
Cash Management	**118**	120	(2)	119	-(1)	**477**	437	9
Securities Services	**1**	-	nm[4]	-	nm[4]	**1**	-	nm[4]
Financial Markets	**68**	61	11	74	(8)	**299**	284	5
Foreign Exchange	**39**	37	5	44	(11)	**178**	172	3
Rates	**5**	5	-	8	(38)	**32**	28	14
Commodities	**6**	6	-	5	20	**25**	24	4
Credit and Capital Markets	**4**	3	33	3	33	**13**	12	8
Capital Structuring Distribution Group	**9**	4	125	8	13	**27**	24	13
Other Financial Markets	**5**	6	(17)	6	(17)	**24**	24	-
Corporate Finance[2, 3]	**20**	19	5	30	(33)	**93**	88	6
Lending and Portfolio Management[3]	**67**	51	31	57	18	**239**	213	12
Wealth Management	**-**	1	(100)	-	nm[4]	**2**	3	(33)
Retail Products	**1**	-	nm[4]	2	(50)	**6**	4	50
Deposits	**1**	(1)	200	2	(50)	**6**	4	50
Other Retail Products	**-**	1	(100)	-	nm[4]	**-**	-	nm[4]
Other	**-**	1	(100)	(1)	100	**1**	(12)	108
Operating expenses	**(252)**	(236)	(7)	(230)	(10)	**(907)**	(923)	2
Operating profit before impairment losses and taxation	**108**	103	5	142	(24)	**571**	468	22
Credit impairment	**(64)**	(90)	29	(24)	(167)	**(123)**	(244)	50
Underlying profit before taxation	**44**	13	nm[4]	118	(63)	**448**	224	100
Restructuring	**(11)**	(9)	(22)	-	nm[4]	**(11)**	(12)	8
Statutory profit before taxation	**33**	4	nm[4]	118	(72)	**437**	212	106
Total assets	**31,244**	31,379	-	31,962	(2)	**31,244**	31,379	-
Of which: loans and advances to customers including FVTPL	**26,686**	27,271	(2)	27,553	(3)	**26,686**	27,271	(2)
Total liabilities	**36,864**	37,260	(1)	34,971	5	**36,864**	37,260	(1)
Of which: customer accounts	**34,083**	34,860	(2)	32,305	6	**34,083**	34,860	(2)
Risk-weighted assets	**28,066**	30,481	(8)	29,521	(5)	**28,066**	30,481	(8)
Underlying return on risk-weighted assets (%)	**0.6**	0.2	40bps	1.6	(100)bps	**1.5**	0.7	80bps
Underlying return on tangible equity (%)	**3.1**	0.8	230bps	7.7	(460)bps	**7.3**	3.4	390bps
Cost to income ratio (%)	**70.0**	69.6	(40)bps	61.8	(820)bps	**61.4**	66.4	500bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 In December 2018 it was decided to discontinue the ship operating lease business any future profits and losses will be reported as restructuring. Prior periods have not been restated
3 There has been a reorganisation of certain product teams between Corporate Finance and Lending and Portfolio Management. Prior periods have been restated
4 Not meaningful

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

Private Banking

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**126**	118	7	145	(13)	**577**	516	12
Corporate Finance	**-**	-	nm[2]	-	nm[2]	**2**	-	nm[2]
Wealth Management	**74**	63	17	93	(20)	**362**	305	19
Retail Products	**53**	55	(4)	52	2	**214**	211	1
Deposits	**43**	46	(7)	44	(2)	**179**	175	2
Mortgage and Auto	**11**	9	22	8	38	**36**	36	-
Other Retail Products	**(1)**	-	nm[2]	-	nm[2]	**(1)**	-	nm[2]
Other	**(1)**	-	nm[2]	-	nm[2]	**(1)**	-	nm[2]
Operating expenses	**(127)**	(128)	1	(134)	5	**(514)**	(530)	3
Operating profit/(loss) before impairment losses and taxation	**(1)**	(10)	90	11	(109)	**63**	(14)	nm[2]
Credit impairment	**(2)**	1	nm[3]	(14)	86	**31**	-	nm[2]
Underlying profit/(loss) before taxation	**(3)**	(9)	67	(3)	-	**94**	(14)	nm[2]
Restructuring	**(6)**	(13)	54	(4)	(50)	**(11)**	(24)	54
Statutory profit/(loss) before taxation	**(9)**	(22)	59	(7)	(29)	**83**	(38)	nm[2]
Total assets	**14,922**	13,673	9	15,143	(1)	**14,922**	13,673	9
Of which: loans and advances to customers including FVTPL	**14,821**	13,616	9	15,007	(1)	**14,821**	13,616	9
Total liabilities	**18,480**	19,733	(6)	18,696	(1)	**18,480**	19,733	(6)
Of which: customer accounts	**18,424**	19,622	(6)	18,547	(1)	**18,424**	19,622	(6)
Risk-weighted assets	**6,409**	5,861	9	6,649	(4)	**6,409**	5,861	9
Underlying return on risk-weighted assets (%)	**(0.2)**	(0.6)	40bps	(0.2)	0bps	**1.5**	(0.2)	170bps
Underlying return on tangible equity (%)	**(0.8)**	(2.8)	200bps	(0.9)	10bps	**7.3**	(1.0)	830bps
Cost to income ratio (%)	**100.8**	108.5	770bps	92.4	(840)bps	**89.1**	102.7	1,360bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

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

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

Central & other items (segment)

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**144**	222	(35)	274	(47)	**860**	1,160	(26)
Treasury	**196**	253	(23)	335	(41)	**1,090**	1,223	(11)
Other	**(52)**	(31)	(68)	(61)	15	**(230)**	(63)	nm[2]
Operating expenses	**(445)**	(463)	4	(84)	nm[2]	**(873)**	(879)	1
Operating profit/(loss) before impairment losses and taxation	**(301)**	(241)	(25)	190	nm[2]	**(13)**	281	(105)
Credit impairment	**-**	5	(100)	(2)	100	**(4)**	13	(131)
Other impairment	**(9)**	1	nm[3]	3	nm[2]	**(8)**	7	nm[2]
Profit from associates and joint ventures	**52**	26	100	45	16	**254**	241	5
Underlying profit/(loss) before taxation	**(258)**	(209)	(23)	236	nm[2]	**229**	542	(58)
Provision for regulatory matters	**-**	(850)	100	(22)	100	**(226)**	(850)	73
Restructuring	**(18)**	(32)	44	(6)	(200)	**(59)**	(24)	(146)
Gains arising on repurchase of senior and subordinated liabilities	**-**	-	nm[2]	-	nm[2]	**-**	66	(100)
Goodwill impairment	**(27)**	-	nm[2]	-	nm[2]	**(27)**	-	nm[2]
Share of profits of PT Bank Permata Tbk joint venture	**13**	-	nm[2]	12	8	**48**	-	nm[2]
Statutory profit/(loss) before taxation	**(290)**	(1,091)	73	220	nm[2]	**(35)**	(266)	87
Total assets	**235,565**	231,434	2	228,469	3	**235,565**	231,434	2
Of which: loans and advances to customers including FVTPL	**10,078**	10,274	(2)	13,756	(27)	**10,078**	10,274	(2)
Total liabilities	**73,655**	71,773	3	80,764	(9)	**73,655**	71,773	3
Of which: customer accounts	**7,433**	2,989	149	11,366	(35)	**7,433**	2,989	149
Risk-weighted assets	**53,113**	50,061	6	52,702	1	**53,113**	50,061	6
Underlying return on risk-weighted assets (%)	**(1.9)**	(1.6)	(30)bps	1.8	(370)bps	**0.4**	1.1	(70)bps
Underlying return on tangible equity (%)	**(23.7)**	(28.9)	520bps	7.7	(3,140)bps	**(5.1)**	(4.8)	(30)bps
Cost to income ratio (%) (excluding UK bank levy)	**68.1**	62.6	(550)bps	30.7	(3,740)bps	**61.2**	47.8	(1,340)bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

Performance highlights

- Income and underlying operating profit before taxation primarily impacted by higher rates internally paid on liabilities and one-off liquidity requirements

Underlying performance 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
Total assets	277,704	149,785	59,828	220,579	12,502	720,398
Of which: loans and advances to customers including FVTPL	139,977	80,885	31,487	62,405	–	314,754
loans and advances to customers	134,066	78,229	29,940	26,288	–	268,523
loans held at fair value through profit or loss	5,911	2,656	1,547	36,117	–	46,231
Total liabilities	249,004	126,213	36,144	218,794	39,582	669,737
Of which: customer accounts	204,286	97,459	29,280	121,708	–	452,733

	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
Total assets	269,765	147,049	57,800	201,912	12,236	688,762
Of which: loans and advances to customers including FVTPL	130,669	81,905	29,870	56,927	–	299,371
Total liabilities	238,249	127,478	36,733	198,853	37,097	638,410
Of which: customer accounts	196,870	96,896	29,916	113,499	–	437,181

Greater China & North Asia

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**1,497**	1,510	(1)	1,578	(5)	**6,155**	6,157	-
Operating expenses	**(1,001)**	(949)	(5)	(944)	(6)	**(3,771)**	(3,812)	1
Operating profit before impairment losses and taxation	**496**	561	(12)	634	(22)	**2,384**	2,345	2
Credit impairment	**(54)**	(43)	(26)	(70)	23	**(194)**	(71)	(173)
Other impairment	**-**	(14)	100	3	(100)	**(5)**	(110)	95
Profit from associates and joint ventures	**51**	11	nm[2]	43	19	**247**	205	20
Underlying profit before taxation	**493**	515	(4)	610	(19)	**2,432**	2,369	3
Restructuring	**(84)**	(74)	(14)	(51)	(65)	**(138)**	(106)	(30)
Statutory profit before taxation	**409**	441	(7)	559	(27)	**2,294**	2,263	1
Total assets	**277,704**	269,765	3	273,854	1	**277,704**	269,765	3
Of which: loans and advances to customers including FVTPL	**139,977**	130,669	7	134,775	4	**139,977**	130,669	7
Total liabilities	**249,004**	238,249	5	237,881	5	**249,004**	238,249	5
Of which: customer accounts	**204,286**	196,870	4	190,716	7	**204,286**	196,870	4
Risk-weighted assets	**85,695**	81,023	6	86,367	(1)	**85,695**	81,023	6
Cost to income ratio (%)	**66.9**	62.8	(410)bps	59.8	(710)bps	**61.3**	61.9	60bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

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

ASEAN & South Asia

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**992**	940	6	1,085	(9)	**4,213**	3,971	6
Operating expenses	**(718)**	(685)	(5)	(671)	(7)	**(2,681)**	(2,711)	1
Operating profit before impairment losses and taxation	**274**	255	7	414	(34)	**1,532**	1,260	22
Credit impairment	**(250)**	(150)	(67)	(172)	(45)	**(506)**	(322)	(57)
Other impairment	**(1)**	(1)	-	-	nm[2]	**(1)**	6	(117)
Profit from associates and joint ventures	**-**	12	(100)	-	nm[2]	**-**	26	(100)
Underlying profit before taxation	**23**	116	(80)	242	(90)	**1,025**	970	6
Restructuring	**(19)**	(45)	58	1	nm[2]	**(34)**	105	(132)
Share of profits of PT Bank Permata Tbk joint venture	**13**	-	nm[2]	12	8	**48**	-	nm[2]
Statutory profit before taxation	**17**	71	(76)	255	(93)	**1,039**	1,075	(3)
Total assets	**149,785**	147,049	2	150,947	(1)	**149,785**	147,049	2
Of which: loans and advances to customers including FVTPL	**80,885**	81,905	(1)	83,866	(4)	**80,885**	81,905	(1)
Total liabilities	**126,213**	127,478	(1)	127,451	(1)	**126,213**	127,478	(1)
Of which: customer accounts	**97,459**	96,896	1	97,478	-	**97,459**	96,896	1
Risk-weighted assets	**88,942**	87,935	1	91,668	(3)	**88,942**	87,935	1
Cost to income ratio (%)	**72.4**	72.9	50bps	61.8	(1,060)bps	**63.6**	68.3	470bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

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

Africa & Middle East

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**605**	624	(3)	617	(2)	**2,562**	2,604	(2)
Operating expenses	**(454)**	(446)	(2)	(443)	(2)	**(1,747)**	(1,810)	3
Operating profit before impairment losses and taxation	**151**	178	(15)	174	(13)	**815**	794	3
Credit impairment	**(56)**	(137)	59	(27)	(107)	**(132)**	(262)	50
Other impairment	**1**	-	nm[2]	-	nm[2]	**1**	-	nm[2]
Underlying profit before taxation	**96**	41	134	147	(35)	**684**	532	29
Restructuring	**(11)**	(50)	78	(5)	(120)	**(18)**	(100)	82
Statutory profit/(loss) before taxation	**85**	(9)	nm[2]	142	(40)	**666**	432	54
Total assets	**59,828**	57,800	4	57,696	4	**59,828**	57,800	4
Of which: loans and advances to customers including FVTPL	**31,487**	29,870	5	29,243	8	**31,487**	29,870	5
Total liabilities	**36,144**	36,733	(2)	35,995	-	**36,144**	36,733	(2)
Of which: customer accounts	**29,280**	29,916	(2)	28,958	1	**29,280**	29,916	(2)
Risk-weighted assets	**49,244**	53,072	(7)	49,865	(1)	**49,244**	53,072	(7)
Cost to income ratio (%)	**75.0**	71.5	(350)bps	71.8	(320)bps	**68.2**	69.5	130bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

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

Europe & Americas

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**464**	409	13	467	(1)	**1,725**	1,670	3
Operating expenses	**(365)**	(346)	(5)	(390)	6	**(1,470)**	(1,453)	(1)
Operating profit before impairment losses and taxation	**99**	63	57	77	29	**255**	217	18
Credit impairment	**(17)**	(11)	(55)	(15)	(13)	**(98)**	(83)	(18)
Other impairment	**-**	-	nm[2]	-	nm[2]	**-**	17	(100)
Profit from associates and joint ventures	**-**	-	nm[2]	-	nm[2]	**-**	3	(100)
Underlying profit before taxation	**82**	52	58	62	32	**157**	154	2
Provision for regulatory matters	**-**	(50)	100	-	nm[3]	**-**	(50)	100
Restructuring	**(13)**	(1)	nm[2]	(6)	(117)	**(34)**	(8)	nm[2]
Gains arising on repurchase of senior and subordinated liabilities	**-**	-	nm[2]	-	nm[3]	**-**	3	(100)
Statutory profit before taxation	**69**	1	nm[2]	56	23	**123**	99	24
Total assets	**220,579**	201,912	9	240,925	(8)	**220,579**	201,912	9
Of which: loans and advances to customers including FVTPL	**62,405**	56,927	10	70,686	(12)	**62,405**	56,927	10
Total liabilities	**218,794**	198,853	10	244,799	(11)	**218,794**	198,853	10
Of which: customer accounts	**121,708**	113,499	7	131,082	(7)	**121,708**	113,499	7
Risk-weighted assets	**43,945**	40,789	8	44,423	(1)	**43,945**	40,789	8
Cost to income ratio (%)	**78.7**	84.6	590bps	83.5	480bps	**85.2**	87.0	180bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

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

Central & other items (region)

	4Q'19 $million	4Q'18 $million	Change[1] %	3Q'19 $million	Change[1] %	FY'19 $million	FY'18 $million	Change[1] %
Operating income	**39**	112	(65)	231	(83)	**616**	566	9
Operating expenses	**(401)**	(410)	2	(53)	nm[2]	**(740)**	(678)	(9)
Operating profit/(loss) before impairment losses and taxation	**(362)**	(298)	(21)	178	nm[2]	**(124)**	(112)	(11)
Credit impairment	**4**	9	(56)	5	(20)	**24**	(2)	nm[2]
Other impairment	**(12)**	(6)	(100)	(8)	(50)	**(33)**	(61)	46
Profit from associates and joint ventures	**1**	3	(67)	2	(50)	**7**	7	-
Underlying profit/(loss) before taxation	**(369)**	(292)	(26)	177	nm[2]	**(126)**	(168)	25
Provision for regulatory matters	**-**	(850)	100	(22)	100	**(226)**	(850)	73
Restructuring	**10**	(222)	105	(62)	116	**(30)**	(369)	92
Gains arising on repurchase of senior and subordinated liabilities	**-**	-	nm[3]	-	**nm[2]**	**-**	66	(100)
Goodwill impairment	**(27)**	-	nm[3]	-	nm[2]	**(27)**	-	nm[2]
Statutory profit/(loss) before taxation	**(386)**	(1,364)	72	93	nm[2]	**(409)**	(1,321)	69
Total assets	**12,502**	12,236	2	11,378	10	**12,502**	12,236	2
Total liabilities	**39,582**	37,097	7	37,979	4	**39,582**	37,097	7
Risk-weighted assets	**(3,736)**	(4,522)	17	(3,655)	(2)	**(3,736)**	(4,522)	17
Cost to income ratio (%) (excluding UK bank levy)	**138.5**	76.8	(6,170)bps	22.9	(11,560)bps	**63.8**	62.5	(130)bps

1 Variance is better/(worse) other than assets ,liabilities and risk-weighted assets which is increase/(decrease)
2 Not meaningful

Performance highlights

- Higher external debt costs offset by a favourable change in hedge ineffectiveness and increased internal capital charges

Underlying performance by key market

	FY'19								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	**3,755**	**972**	**872**	**1,639**	**1,041**	**273**	**617**	**762**	**759**
Operating expenses	**(1,934)**	**(769)**	**(666)**	**(986)**	**(672)**	**(180)**	**(423)**	**(678)**	**(587)**
Operating profit before impairment losses and taxation	**1,821**	**203**	**206**	**653**	**369**	**93**	**194**	**84**	**172**
Credit impairment	**(111)**	**(15)**	**(81)**	**(91)**	**(290)**	**(87)**	**(48)**	**(33)**	**(63)**
Other impairment	**(5)**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit from associates and joint ventures	**-**	**-**	**247**	**-**	**-**	**-**	**-**	**-**	**-**
Underlying profit before taxation	**1,705**	**189**	**372**	**562**	**79**	**6**	**146**	**51**	**109**
Total assets employed	**159,725**	**54,408**	**30,293**	**85,155**	**28,163**	**4,795**	**20,301**	**150,103**	**60,373**
Of which: loans and advances to customers including FVTPL	**77,277**	**34,469**	**14,772**	**45,951**	**15,674**	**2,098**	**10,406**	**42,179**	**17,038**
Total liabilities employed	**149,703**	**47,420**	**27,005**	**80,006**	**18,437**	**3,188**	**12,905**	**142,804**	**66,357**
Of which: customer accounts	**123,330**	**38,533**	**21,797**	**60,821**	**13,800**	**2,320**	**10,078**	**82,036**	**34,733**
Cost to income ratio (%)	**51.5**	**79.1**	**76.4**	**60.2**	**64.6**	**65.9**	**68.6**	**89.0**	**77.3**

	FY'18								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	3,752	1,009	821	1,547	949	260	637	819	667
Operating expenses	(1,944)	(797)	(675)	(1,009)	(677)	(179)	(453)	(671)	(621)
Operating profit before impairment losses and taxation	1,808	212	146	538	272	81	184	148	46
Credit impairment	(57)	(1)	(30)	(115)	(130)	(39)	(196)	(51)	(36)
Other impairment	(109)	1	-	-	(1)	-	-	17	-
Profit from associates and joint ventures	-	-	205	-	-	26	-	-	-
Underlying profit/(loss) before taxation	1,642	212	321	423	141	68	(12)	114	10
Total assets employed	153,372	51,306	30,272	81,882	29,886	4,990	19,847	136,967	48,706
Of which: loans and advances to customers including FVTPL	71,971	33,435	12,894	46,342	16,567	2,536	10,749	41,248	13,464
Total liabilities employed	139,332	45,347	27,158	80,200	20,554	3,110	13,679	148,041	42,301
Of which: customer accounts	116,999	36,894	21,801	58,415	16,306	2,061	10,517	93,096	16,218
Cost to income ratio (%)	51.8	79.0	82.2	65.2	71.3	68.8	71.1	81.9	93.1

	4Q'19								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	**943**	**220**	**206**	**347**	**275**	**57**	**140**	**214**	**200**
Operating expenses	**(510)**	**(190)**	**(171)**	**(260)**	**(175)**	**(47)**	**(102)**	**(136)**	**(141)**
Operating profit before impairment losses and taxation	**433**	**30**	**35**	**87**	**100**	**10**	**38**	**78**	**59**
Credit impairment	**(53)**	**(3)**	**(14)**	**(47)**	**(181)**	**(7)**	**(32)**	**2**	**(19)**
Other impairment	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit from associates and joint ventures	**-**	**-**	**50**	**-**	**-**	**-**	**-**	**-**	**-**
Underlying profit/(loss) before taxation	**380**	**28**	**71**	**40**	**(81)**	**3**	**6**	**80**	**40**
Total assets employed	**159,725**	**54,408**	**30,293**	**85,155**	**28,163**	**4,795**	**20,301**	**150,103**	**60,373**
Of which: loans and advances to customers including FVTPL	**77,277**	**34,469**	**14,772**	**45,951**	**15,674**	**2,098**	**10,406**	**42,179**	**17,038**
Total liabilities employed	**149,703**	**47,420**	**27,005**	**80,006**	**18,437**	**3,188**	**12,905**	**142,804**	**66,357**
Of which: customer accounts	**123,330**	**38,533**	**21,797**	**60,821**	**13,800**	**2,320**	**10,078**	**82,036**	**34,733**
Cost to income ratio (%)	**54.1**	**86.4**	**83.0**	**74.9**	**63.6**	**82.5**	**72.9**	**63.6**	**70.5**

	4Q'18								
	Hong Kong $million	Korea $million	China $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	965	244	185	315	259	60	128	191	171
Operating expenses	(492)	(192)	(162)	(254)	(163)	(43)	(116)	(178)	(142)
Operating profit before impairment losses and taxation	473	52	23	61	96	17	12	13	29
Credit impairment	(39)	(9)	(14)	(37)	(77)	(17)	(91)	(8)	-
Other impairment	(13)	1	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	11	-	-	12	-	-	-
Underlying profit/(loss) before taxation	421	44	20	24	19	12	(79)	5	29
Total assets employed	153,372	51,306	30,272	81,882	29,886	4,990	19,847	136,967	48,706
Of which: loans and advances to customers including FVTPL	71,971	33,435	12,894	46,342	16,567	2,536	10,749	41,248	13,464
Total liabilities employed	139,332	45,347	27,158	80,200	20,554	3,110	13,679	148,041	42,301
Of which: customer accounts	116,999	36,894	21,801	58,415	16,306	2,061	10,517	93,096	16,218
Cost to income ratio (%)	51.0	78.7	87.6	80.6	62.9	71.7	90.6	93.2	83.0

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.

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 and the Risk profile section of the Annual Report.

Further details of the Group's risk performance for 2019 can be found in the Annual Report.

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.

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 can be found in the Annual Report.

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 in the Annual Report.

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

Capital review

Capital ratios (unaudited)

	2019	2018
CET1	**13.8%**	14.2%
Tier 1 capital	**16.5%**	16.8%
Total capital	**21.2%**	21.6%

CRD IV Capital base[1]

	2019 $million	2018 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	**5,584**	5,617
Of which: share premium accounts	**3,989**	3,965
Retained earnings	**24,044**	25,377
Accumulated other comprehensive income (and other reserves)	**11,685**	11,878
Non-controlling interests (amount allowed in consolidated CET1)	**723**	686
Independently reviewed interim and year-end profits	**2,301**	1,072
Foreseeable dividends net of scrip	**(871)**	(527)
CET1 capital before regulatory adjustments	**43,466**	44,103
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(615)**	(564)
Intangible assets (net of related tax liability)	**(5,318)**	(5,146)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(129)**	(115)
Fair value reserves related to net losses on cash-flow hedges	**59**	10
Deduction of amounts resulting from the calculation of excess expected loss	**(822)**	(875)
Net gains on liabilities at fair value resulting from changes in own Credit Risk	**(2)**	(412)
Defined-benefit pension fund assets	**(26)**	(34)
Fair value gains arising from the institution's own Credit Risk related to derivative liabilities	**(38)**	(127)
Exposure amounts which could qualify for risk weighting of 1250%	**(62)**	(123)
Total regulatory adjustments to CET1	**(6,953)**	(7,386)
CET1 capital	**36,513**	36,717
AT1 capital instruments	**7,184**	6,704
AT1 regulatory adjustments	**(20)**	(20)
Tier 1 capital	**43,677**	43,401
Tier 2 capital instruments	**12,318**	12,325
Tier 2 regulatory adjustments	**(30)**	(30)
Tier 2 capital	**12,288**	12,295
Total capital	**55,965**	55,696
Total risk-weighted assets (unaudited)	**264,090**	258,297

1 CRD IV capital is prepared on the regulatory scope of consolidation

Movement in total capital

	2019 $million	2018 $million
CET1 at 1 January	**36,717**	38,162
Ordinary shares issued in the period and share premium	**25**	14
Share buy-back[1]	**(1,006)**	–
Profit for the period	**2,301**	1,072
Foreseeable dividends net of scrip deducted from CET1	**(871)**	(527)
Difference between dividends paid and foreseeable dividends	**(641)**	(575)
Movement in goodwill and other intangible assets	**(172)**	(34)
Foreign currency translation differences	**(180)**	(1,161)
Non-controlling interests	**37**	(164)
Movement in eligible other comprehensive income	**284**	60
Deferred tax assets that rely on future profitability	**(14)**	10
Decrease/(increase) in excess expected loss	**53**	267
Additional value adjustments (prudential valuation adjustment)	**(51)**	10
IFRS 9 day one transitional impact on regulatory reserves	**(43)**	(441)
Exposure amounts which could qualify for risk weighting	**61**	18
Other	**13**	6
CET1 at 31 December	**36,513**	36,717
AT1 at 1 January	**6,684**	6,699
Issuances net of redemptions	**552**	–
Foreign currency translation difference	**9**	(15)
Excess on AT1 grandfathered limit (ineligible)	**(81)**	–
AT1 at 31 December	**7,164**	6,684
Tier 2 capital at 1 January	**12,295**	13,897
Regulatory amortisation	**(1,111)**	166
Issuances net of redemptions	**1,000**	(1,713)
Foreign currency translation difference	**(12)**	(215)
Tier 2 ineligible minority interest	**31**	144
Recognition of ineligible AT1	**81**	–
Other	**4**	16
Tier 2 capital at 31 December	**12,288**	12,295
Total capital at 31 December	**55,965**	55,696

1 $1,006 million includes share buy-back expenses of $6 million

The main movements in capital in the period were:

- The CET1 ratio decreased from 14.2 per cent to 13.8 per cent predominantly because of higher RWAs, the impact of the $1.0 billion share buy-back and other distributions to shareholders, including preference dividends, partly offset by profit for the period
- CET1 capital decreased by $0.2 billion, mainly due to the share buy-back of $1.0 billion and other distributions during the period of $1.5 billion, partly offset by profit after tax of $2.3 billion
- AT1 increased slightly to $7.2 billion, mainly due to the new issuance of SGD 750 million of AT1 securities
- Tier 2 capital was unchanged at $12.3 billion mainly due to $1.0 billion of new subordinated debt issuance, offset by amortisation of $1.1 billion during the year

Risk-weighted assets by business (unaudited)

	2019			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total risk $million
Corporate & Institutional Banking	**98,227**	**13,261**	**20,562**	**132,050**
Retail Banking	**37,138**	**7,314**	**–**	**44,452**
Commercial Banking	**25,440**	**2,626**	**–**	**28,066**
Private Banking	**5,681**	**728**	**–**	**6,409**
Central & other items	**49,178**	**3,691**	**244**	**53,113**
Total risk-weighted assets	**215,664**	**27,620**	**20,806**	**264,090**

	2018			
	Credit Risk $million	Operational Risk $million	Market Risk $million	Total risk $million
Corporate & Institutional Banking	96,954	13,029	19,008	128,991
Retail Banking	35,545	7,358	–	42,903
Commercial Banking	27,711	2,770	–	30,481
Private Banking	5,103	758	–	5,861
Central & other items	45,825	4,135	101	50,061
Total risk-weighted assets	211,138	28,050	19,109	258,297

Risk-weighted assets by geographic region (unaudited)

	2019 $million	2018 $million
Greater China & North Asia	**85,695**	81,023
ASEAN & South Asia	**88,942**	87,935
Africa & Middle East	**49,244**	53,072
Europe & Americas	**43,945**	40,789
Central & other items	**(3,736)**	(4,522)
Total risk-weighted assets	**264,090**	258,297

Movement in risk-weighted assets (unaudited)

	Credit Risk								
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million	Operational Risk $million	Market Risk $million	Total risk $million
As at 1 January 2018	109,368	36,345	29,712	5,134	45,671	226,230	30,478	23,040	279,748
Assets (decline)/growth	(1,527)	1,466	(1,347)	56	2,896	1,544	–	–	1,544
Net credit migration	(2,120)	25	237	–	494	(1,364)	–	–	(1,364)
Risk-weighted assets efficiencies	(3,540)	(597)	–	–	(748)	(4,885)	–	–	(4,885)
Model, methodology and policy changes	(3,338)	(671)	66	–	77	(3,866)	–	(1,948)	(5,814)
Disposals	–	–	–	–	(626)	(626)	–	–	(626)
Foreign currency translation	(1,889)	(1,023)	(957)	(87)	(1,939)	(5,895)	–	–	(5,895)
Other non-credit risk movements	–	–	–	–	–	–	(2,428)	(1,983)	(4,411)
Aa at 31 December 2018	96,954	35,545	27,711	5,103	45,825	211,138	28,050	19,109	258,297
Assets (decline)/growth	**1,303**	**1,020**	**(557)**	**528**	**4,093**	**6,387**	**–**	**–**	**6,387**
Net credit migration	**2,565**	**832**	**(642)**	**8**	**607**	**3,370**	**–**	**–**	**3,370**
Risk-weighted assets efficiencies	**(1,112)**	**(33)**	**(403)**	**–**	**(2,404)**	**(3,952)**	**–**	**–**	**(3,952)**
Model, methodology and policy changes	**(904)**	**(7)**	**–**	**–**	**1,400**	**489**	**–**	**500**	**989**
Disposals	**(397)**	**–**	**(441)**	**–**	**–**	**(838)**	**–**	**–**	**(838)**
Foreign currency translation	**(182)**	**(219)**	**(228)**	**42**	**(343)**	**(930)**	**–**	**–**	**(930)**
Other non-Credit Risk movements	**–**	**–**	**–**	**–**	**–**	**–**	**(430)**	**1,197**	**767**
Aa at 31 December 2019	**98,227**	**37,138**	**25,440**	**5,681**	**49,178**	**215,664**	**27,620**	**20,806**	**264,090**

Movements in risk-weighted assets

RWA increased by $5.8 billion, or 2.2 per cent from 31 December 2018 to $264.1 billion. This was mainly due to increases in Credit Risk RWA of $4.5 billion, Market Risk RWA $1.7 billion, partly offset by a decrease of $0.4 billion in Operational Risk RWA.

UK leverage ratio

The Group's UK leverage ratio, which excludes qualifying claims on central banks in accordance with a PRA waiver, was 5.2 per cent, which is above the current minimum requirement of 3.7 per cent. The lower UK leverage ratio in the period was mainly due to: an increased exposure measure reflecting asset growth (on and off balance sheet), lower derivative and regulatory consolidation adjustments partly offset by a small increase in Tier 1 capital following the new issuance of SGD750 million of AT1 securities in the period.

UK leverage ratio (unaudited)

	2019 $million	2018 $million
Tier 1 capital (transitional)	43,677	43,401
Additional Tier 1 capital subject to phase-out	(1,671)	(1,743)
Tier 1 capital (end point)	42,006	41,658
Derivative financial instruments	47,212	45,621
Derivative cash collateral	9,169	10,323
Securities financing transactions (SFTs)	60,414	61,735
Loans and advances and other assets	603,603	571,083
Total on-balance sheet assets	720,398	688,762
Regulatory consolidation adjustments[1]	(31,485)	(45,521)
Derivatives adjustments		
Derivatives netting	(32,852)	(34,300)
Adjustments to cash collateral	(11,853)	(14,827)
Net written credit protection	1,650	1,221
Potential future exposure on derivatives	32,961	28,498
Total derivatives adjustments	(10,094)	(19,408)
Counterparty Risk leverage exposure measure for SFTs	7,005	8,281
Off-balance sheet items	122,341	115,335
Regulatory deductions from Tier 1 capital	(6,913)	(6,847)
UK leverage exposure (end point)	801,252	740,602
UK leverage ratio (end point)	5.2%	5.6%
UK leverage exposure quarterly average	816,244	734,976
UK leverage ratio quarterly average	5.1%	5.8%
Countercyclical leverage ratio buffer	0.1%	0.1%
G-SII additional leverage ratio buffer	0.4%	0.3%

1 Includes adjustment for qualifying central bank claims

Financial statements

Consolidated income statement

For the year ended 31 December 2019

	2019 $million	restated[1] 2018 $million
Interest income	16,549	15,150
Interest expense	(8,882)	(7,355)
Net interest income	7,667	7,795
Fees and commission income	4,111	4,029
Fees and commission expense	(589)	(537)
Net fee and commission income	3,522	3,492
Net trading income	3,350	2,681
Other operating income	878	821
Operating income	15,417	14,789
Staff costs	(7,122)	(7,074)
Premises costs	(420)	(790)
General administrative expenses	(2,211)	(2,926)
Depreciation and amortisation	(1,180)	(857)
Operating expenses	(10,933)	(11,647)
Operating profit before impairment losses and taxation	4,484	3,142
Credit impairment	(908)	(653)
Goodwill impairment	(27)	–
Other impairment	(136)	(182)
Profit from associates and joint ventures	300	241
Profit before taxation	3,713	2,548
Taxation	(1,373)	(1,439)
Profit for the year	2,340	1,109
Profit attributable to:		
Non-controlling interests	37	55
Parent company shareholders	2,303	1,054
Profit for the year	2,340	1,109
	cents	cents
Earnings per share:		
Basic earnings per ordinary share	57.0	18.7
Diluted earnings per ordinary share	56.4	18.5

1 Refer to Accounting policies section in the Annual Report. The Group has changed its accounting policies for net interest income and net trading income

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	2019 $million	2018 $million
Profit for the year	**2,340**	1,109
Other comprehensive (loss)/income		
Items that will not be reclassified to income statement:	**(531)**	382
Own credit (losses)/gains on financial liabilities designated at fair value through profit or loss	**(462)**	394
Equity instruments at fair value through other comprehensive income	**13**	36
Actuarial losses on retirement benefit obligations	**(124)**	(19)
Taxation relating to components of other comprehensive income	**42**	(29)
Items that may be reclassified subsequently to income statement:	**131**	(1,189)
Exchange differences on translation of foreign operations:		
Net losses taken to equity	**(386)**	(1,462)
Net gains on net investment hedges	**191**	282
Share of other comprehensive income from associates and joint ventures	**25**	33
Debt instruments at fair value through other comprehensive income:		
Net valuation gains/(losses) taken to equity	**555**	(128)
Reclassified to income statement	**(170)**	31
Net impact of expected credit losses	**7**	–
Cashflow hedges:		
Net (losses)/gains taken to equity	**(64)**	34
Reclassified to income statement	**21**	7
Taxation relating to components of other comprehensive income	**(48)**	14
Other comprehensive loss for the year, net of taxation	**(400)**	(807)
Total comprehensive income for the year	**1,940**	302
Total comprehensive income attributable to:		
Non-controlling interests	**20**	34
Parent company shareholders	**1,920**	268
Total comprehensive income for the year	**1,940**	302

Consolidated balance sheet

As at 31 December 2019

	2019 $million	2018 $million
Assets		
Cash and balances at central banks	**52,728**	57,511
Financial assets held at fair value through profit or loss	**92,818**	87,132
Derivative financial instruments	**47,212**	45,621
Loans and advances to banks[1]	**53,549**	61,414
Loans and advances to customers[2]	**268,523**	256,557
Investment securities	**143,731**	125,901
Other assets	**42,022**	35,401
Current tax assets	**539**	492
Prepayments and accrued income	**2,700**	2,505
Interests in associates and joint ventures	**1,908**	2,307
Goodwill and intangible assets	**5,290**	5,056
Property, plant and equipment	**6,220**	6,490
Deferred tax assets	**1,105**	1,047
Assets classified as held for sale	**2,053**	1,328
Total assets	**720,398**	688,762
Liabilities		
Deposits by banks	**28,562**	29,715
Customer accounts	**405,357**	391,013
Repurchase agreements and other similar secured borrowing	**1,935**	1,401
Financial liabilities held at fair value through profit or loss	**66,974**	60,700
Derivative financial instruments	**48,484**	47,209
Debt securities in issue	**53,025**	46,454
Other liabilities	**41,583**	38,309
Current tax liabilities	**703**	676
Accruals and deferred income	**5,369**	5,393
Subordinated liabilities and other borrowed funds	**16,207**	15,001
Deferred tax liabilities	**611**	563
Provisions for liabilities and charges	**449**	1,330
Retirement benefit obligations	**469**	399
Liabilities included in disposal groups held for sale	**9**	247
Total liabilities	**669,737**	638,410
Equity		
Share capital and share premium account	**7,078**	7,111
Other reserves	**11,685**	11,878
Retained earnings	**26,072**	26,129
Total parent company shareholders' equity	**44,835**	45,118
Other equity instruments	**5,513**	4,961
Total equity excluding non-controlling interests	**50,348**	50,079
Non-controlling interests	**313**	273
Total equity	**50,661**	50,352
Total equity and liabilities	**720,398**	688,762

1 Reverse repurchase agreements and other similar secured lending balances held at amortised cost of $1,341 million (31 December 2018: $3,815 million) have been included with loans and advances to banks
2 Reverse repurchase agreements and other similar secured lending balances held at amortised cost of $1,469 million (31 December 2018: $3,151 million) have been included with loans and advances to customers

These financial statements were approved by the Board of directors and authorised for issue on 27 February 2020 and signed on its behalf by:

José Viñals
Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Cash flow statement

For the year ended 31 December 2019

	Group		Company	
	2019 $million	2018 $million	2019 $million	2018 $million
Cash flows from operating activities:				
Profit before taxation	3,713	2,548	22,306	790
Adjustments for non-cash items and other adjustments included within income statement	2,417	2,635	(16,760)	232
Change in operating assets	(35,285)	(12,837)	(5,473)	61
Change in operating liabilities	29,935	33,859	(4,182)	(462)
Contributions to defined benefit schemes	(137)	(143)	–	–
UK and overseas taxes paid	(1,421)	(770)	–	–
Net cash (used in)/from operating activities	(778)	25,292	(4,109)	621
Cash flows from investing activities:				
Purchase of property, plant and equipment	(219)	(171)	–	–
Disposal of property, plant and equipment	119	85	–	–
Dividends received from subsidiaries, associates and joint ventures	3	67	4,494	1,035
Disposal of subsidiaries	–	7	–	–
Purchase of investment securities	(259,473)	(276,388)	(7,583)	–
Disposal and maturity of investment securities	241,600	263,983	1,065	621
Net cash (used in)/from investing activities	(17,970)	(12,417)	(2,024)	1,656
Cash flows from financing activities:				
Issue of ordinary and preference share capital, net of expenses	577	14	577	14
Exercise of share options	7	9	7	9
Purchase of own shares	(206)	(8)	(206)	(8)
Cancellation of shares including share buy-back	(1,006)	–	(1,006)	–
Premises and equipment lease liability principal payment	(332)	–	–	–
Gross proceeds from issue of subordinated liabilities	1,000	500	1,000	500
Interest paid on subordinated liabilities	(603)	(602)	(547)	(507)
Repayment of subordinated liabilities	(23)	(2,097)	–	(474)
Proceeds from issue of senior debts	9,169	9,766	6,012	4,552
Repayment of senior debts	(7,692)	(7,030)	(3,780)	(3,141)
Interest paid on senior debts	(797)	(507)	(740)	(355)
Investment from non-controlling interests	56	–	–	–
Dividends paid to non-controlling interests, preference shareholders and AT1 securities	(483)	(533)	(448)	(436)
Dividends paid to ordinary shareholders	(720)	(539)	(720)	(539)
Net cash (used in)/from financing activities	(1,053)	(1,027)	149	(385)
Net (decrease)/increase in cash and cash equivalents	(19,801)	11,848	(5,984)	1,892
Cash and cash equivalents at beginning of the year	97,500	87,231	17,606	15,714
Effect of exchange rate movements on cash and cash equivalents	(245)	(1,579)	–	–
Cash and cash equivalents at end of the year	77,454	97,500	11,622	17,606

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Ordinary share capital and share premium account $million	Preference share capital and share premium account $million	Capital and merger reserves $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2018	5,603	1,494	17,129[1]	54	(77)	53	(45)	(4,454)	25,895	45,652	4,961	333	50,946
Profit after tax	–	–	–	–	–	–	–	–	1,054	1,054	–	55	1,109
Other comprehensive income/(loss)	–	–	–	358	(84)	67	35	(1,158)	(4)[2]	(786)	–	(21)	(807)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(97)	(97)
Shares issued, net of expenses[3]	14	–	–	–	–	–	–	–	–	14	–	–	14
Treasury shares purchased	–	–	–	–	–	–	–	–	(8)	(8)	–	–	(8)
Treasury shares issued	–	–	–	–	–	–	–	–	9	9	–	–	9
Share option expense, net of taxation	–	–	–	–	–	–	–	–	158	158	–	–	158
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(539)	(539)	–	–	(539)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(436)	(436)	–	–	(436)
Other movements	–	–	–	–	–	–	–	–	–	–	–	3[4]	3
As at 31 December 2018	**5,617**	**1,494**	**17,129**	**412**	**(161)**	**120**	**(10)**	**(5,612)**	**26,129**	**45,118**	**4,961**	**273**	**50,352**
Profit after tax	–	–	–	–	–	–	–	–	2,303	2,303	–	37	2,340
Other comprehensive (loss)/income	–	–	–	(410)	358	30	(49)	(180)	(132)[2]	(383)	–	(17)	(400)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(35)	(35)
Shares issued, net of expenses[3]	25	–	–	–	–	–	–	–	–	25	–	–	25
Other equity instruments issued, net of expenses	–		–	–	–	–	–	–	–	–	552	–	552
Treasury shares purchased	–	–	–	–	–	–	–	–	(206)	(206)	–	–	(206)
Treasury shares issued	–	–	–	–	–	–	–	–	7	7	–	–	7
Share option expense, net of taxation	–	–	–	–	–	–	–	–	139	139	–	–	139
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(720)	(720)	–	–	(720)
Dividend on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(448)	(448)	–	–	(448)
Share buy-back[5]	(58)	–	58	–	–	–	–	–	(1,006)	(1,006)	–	–	(1,006)
Other movements	–	–	–	–	–	–	–	–	6[6]	6	–	55[7]	61
As at 31 December 2019	**5,584**	**1,494**	**17,187**	**2**	**197**	**150**	**(59)**	**(5,792)**	**26,072**	**44,835**	**5,513**	**313**	**50,661**

1 Includes capital reserve of $5 million, capital redemption reserve of $13 million and merger reserve of $17,111 million
2 Comprises actuarial loss, net of taxation and share from associates and joint ventures $132 million ($4 million for the year ending 31 December 2018)
3 Comprises share capital of shares issued to fulfil discretionary awards $1 million, share capital of shares issued to fulfil employee share save options $1 million ($5 million for the year ended 31 December 2018) and share premium of shares issued to fulfil employee Sharesave options exercised $23 million ($ 9 million for the year ended 31 December 2018)
4 Movement is mainly due to additional share capital issued by Standard Chartered Bank Angola S.A. subscribed by its non-controlling interest without change in shareholding percentage
5 On 1 May 2019, the Group commenced a share buy-back of its ordinary shares of $0.50 each up to a maximum consideration of $1,000 million. Nominal value of share purchases is $58 million for the year ended 31 December 2019 and the total consideration paid was $1,006 million which includes share buy-back expenses of $6 million. The total number of shares purchased was 116,103,483 representing 3.51% of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account
6 Comprises $10 million disposal of non-controlling interest of Phoon Huat Pte Ltd offset by $4 million withholding tax on capitalisation of revenue reserves for Standard Chartered Bank Ghana Limited
7 Comprises $72 million of non-controlling interest in SC Digital Solutions offset by $17 million disposal of non-controlling interest in Phoon Huat Pte Ltd, Sirat Holdings Limited and Ori Private Limited

Supplementary financial information

Analysis of operating income by product and segment

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

2019	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Transaction Banking	2,992	19	838	–	–	3,849
Trade	721	19	360	–	–	1,100
Cash Management	1,929	–	477	–	–	2,406
Securities Services	342	–	1	–	–	343
Financial Markets	2,617	–	299	–	–	2,916
Foreign Exchange	950	–	178	–	–	1,128
Rates	664	–	32	–	–	696
Commodities	140	–	25	–	–	165
Credit and Capital Markets	564	–	13	–	–	577
Capital Structuring Distribution Group	302	–	27	–	–	329
DVA	(100)	–	–	–	–	(100)
Other Financial Markets	97	–	24	–	–	121
Corporate Finance[1]	1,048	–	93	2	–	1,143
Lending and Portfolio Management	553	–	239	–	–	792
Wealth Management	–	1,514	2	362	–	1,878
Retail Products	–	3,629	6	214	–	3,849
CCPL and other unsecured lending	–	1,251	–	–	–	1,251
Deposits	–	1,797	6	179	–	1,982
Mortgage and Auto	–	472	–	36	–	508
Other Retail Products	–	109	–	(1)	–	108
Treasury	–	–	–	–	1,090	1,090
Other	(25)	9	1	(1)	(230)	(246)
Total underlying operating income	7,185	5,171	1,478	577	860	15,271

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

2018	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Transaction Banking	2,887	20	811	–	–	3,718
Trade	729	20	374	–	–	1,123
Cash Management	1,825	–	437	–	–	2,262
Securities Services	333	–	–	–	–	333
Financial Markets	2,328	–	284	–	–	2,612
Foreign Exchange	829	–	172	–	–	1,001
Rates	527	–	28	–	–	555
Commodities	168	–	24	–	–	192
Credit and Capital Markets	312	–	12	–	–	324
Capital Structuring Distribution Group	285	–	24	–	–	309
DVA	77	–	–	–	–	77
Other Financial Markets	130	–	24	–	–	154
Corporate Finance[1]	1,098	–	88	–	–	1,186
Lending and Portfolio Management[1]	542	–	213	–	–	755
Wealth Management	–	1,491	3	305	–	1,799
Retail Products	–	3,535	4	211	–	3,750
CCPL and other unsecured lending	–	1,310	–	–	–	1,310
Deposits	–	1,603	4	175	–	1,782
Mortgage and Auto	–	537	–	36	–	573
Other Retail Products	–	85	–	–	–	85
Treasury	–	–	–	–	1,223	1,223
Other	5	(5)	(12)	–	(63)	(75)
Total underlying operating income	6,860	5,041	1,391	516	1,160	14,968

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

Analysis of underlying performance by Retail Banking and Commercial Banking segments

Retail Banking

	2019				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	3,003	1,432	700	36	5,171
Operating expenses	(2,015)	(1,097)	(619)	(23)	(3,754)
Operating profit before impairment losses and taxation	988	335	81	13	1,417
Credit impairment	(153)	(136)	(47)	–	(336)
Other impairment	–	–	2	–	2
Underlying profit before taxation	835	199	36	13	1,083
Restructuring	(47)	(7)	(9)	–	(63)
Statutory profit before taxation	788	192	27	13	1,020
Loans and advances to customers including FVTPL	72,759	27,934	5,320	557	106,570
Customer accounts	98,434	35,959	8,585	1,067	144,045

	2018				
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Operating income	2,886	1,352	765	38	5,041
Operating expenses	(1,959)	(1,083)	(668)	(26)	(3,736)
Operating profit before impairment losses and taxation	927	269	97	12	1,305
Credit impairment	(72)	(135)	(60)	–	(267)
Other impairment	(5)	–	–	–	(5)
Underlying profit before taxation	850	134	37	12	1,033
Restructuring	(18)	(20)	(30)	–	(68)
Statutory profit before taxation	832	114	7	12	965
Loans and advances to customers including FVTPL	67,718	27,812	5,595	510	101,635
Customer accounts	95,086	32,120	8,433	1,052	136,691

Commercial Banking

	2019			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	594	559	325	1,478
Operating expenses	(386)	(310)	(211)	(907)
Operating profit before impairment losses and taxation	208	249	114	571
Credit impairment	(22)	(38)	(63)	(123)
Underlying profit before taxation	186	211	51	448
Restructuring	(7)	(2)	(2)	(11)
Statutory profit before taxation	179	209	49	437
Loans and advances to customers including FVTPL	13,174	8,779	4,733	26,686
Customer accounts	20,590	10,250	3,243	34,083

	2018			
	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Total $million
Operating income	584	523	284	1,391
Operating expenses	(389)	(330)	(204)	(923)
Operating profit before impairment losses and taxation	195	193	80	468
Credit impairment	(23)	(73)	(148)	(244)
Underlying profit/(loss) before taxation	172	120	(68)	224
Restructuring	(7)	(3)	(2)	(12)
Statutory profit/(loss) before taxation	165	117	(70)	212
Loans and advances to customers including FVTPL	13,926	9,118	4,227	27,271
Customer accounts	22,011	9,720	3,129	34,860

Average balance sheets and yields and volume and price variances

Average assets

	2019				
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield interest earning balance %	Gross yield total balance %
Cash and balances at central banks	17,544	29,177	329	1.13	0.70
Gross loans and advances to banks	26,639	61,040	1,834	3.00	2.09
Gross loans and advances to customers	49,662	274,970	10,775	3.92	3.32
Impairment provisions against loans and advances to banks and customers	–	(4,786)	–	–	–
Investment securities	29,188	134,355	3,611	2.69	2.21
Property, plant and equipment and intangible assets	11,217	–	–	–	–
Prepayments, accrued income and other assets	84,965	–	–	–	–
Investment associates and joint ventures	2,608	–	–	–	–
Total average assets	221,823	494,756	16,549	3.34	2.31

	2018				
	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield interest earning balance %	Gross yield total balance %
Cash and balances at central banks	24,724	32,730	364	1.11	0.63
Gross loans and advances to banks	21,639	65,727	1,783	2.71	2.04
Gross loans and advances to customers	40,302	261,595	10,038	3.84	3.32
Impairment provisions against loans and advances to banks and customers	–	(5,701)	–	–	–
Investment securities	23,958	121,763	2,965	2.44	2.03
Property, plant and equipment and intangible assets	10,660	–	–	–	–
Prepayments, accrued income and other assets	78,361	–	–	–	–
Investment associates and joint ventures	2,458	–	–	–	–
Total average assets	202,102	476,114	15,150	3.18	2.23

Average liabilities

	2019				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	17,561	27,619	739	2.68	1.64
Customer accounts:					
Current accounts and savings deposits	38,804	183,323	2,114	1.15	0.95
Time and other deposits	59,094	167,904	4,088	2.43	1.80
Debt securities in issue	9,335	49,351	1,120	2.27	1.91
Accruals, deferred income and other liabilities	95,461	1,336	65	4.87	0.07
Subordinated liabilities and other borrowed funds	–	15,062	756	5.02	5.02
Non-controlling interests	31	–	–	–	–
Shareholders’ funds	50,215	–	–	–	–
	270,501	444,595	8,882	2.00	1.24
Adjustment for Financial Markets funding costs			(340)		
Total average liabilities and shareholders’ funds	270,501	444,595	8,542	1.92	1.19

	2018				
	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid interest bearing balance %	Rate paid total balance %
Deposits by banks	10,950	29,867	594	1.99	1.46
Customer accounts:					
Current accounts and savings deposits	38,909	178,454	1,667	0.93	0.77
Time and other deposits	52,081	157,928	3,339	2.11	1.59
Debt securities in issue	5,986	48,138	988	2.05	1.83
Accruals, deferred income and other liabilities	95,214	–	–	–	–
Subordinated liabilities and other borrowed funds	–	15,780	767	4.86	4.86
Non-controlling interests	48	–	–	–	–
Shareholders’ funds	50,241	–	–	–	–
	253,429	430,167	7,355	1.71	1.08
Adjustment for Financial Markets funding costs			(237)		
Total average liabilities and shareholders’ funds	253,429	430,167	7,118	1.65	1.04

Volume and price variances

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

	2019 versus 2018		
	(Decrease)/increase in interest due to:		Net (decrease)/ increase in interest $million
	Volume $million	Rate $million	
Interest earning assets			
Cash and unrestricted balances at central banks	(40)	5	(35)
Loans and advances to banks	(141)	192	51
Loans and advances to customers	333	404	737
Investment securities	336	310	646
Total interest earning assets	488	911	1,399
Interest-bearing liabilities			
Subordinated liabilities and other borrowed funds	(36)	25	(11)
Deposits by banks	(60)	205	145
Customer accounts:			
Current accounts and savings deposits	56	391	447
Time and other deposits	247	502	749
Debt securities in issue	28	104	132
Total interest-bearing liabilities	235	1,227	1,462

	2018 versus 2017		
	(Decrease)/increase in interest due to:		Net increase/ (decrease) in interest $million
	Volume $million	Rate $million	
Interest earning assets			
Cash and unrestricted balances at central banks	(53)	130	77
Loans and advances to banks	(462)	290	(172)
Loans and advances to customers	(825)	1,935	1,110
Investment securities	(219)	(81)	(300)
Total interest earning assets	(1,559)	2,274	715
Interest-bearing liabilities			
Subordinated liabilities and other borrowed funds	(69)	88	19
Deposits by banks	(233)	(64)	(297)
Customer accounts:			
Current accounts and savings deposits	123	481	604
Time and other deposits	(877)	1,420	543
Debt securities in issue	(78)	310	232
Total interest-bearing liabilities	(1,134)	2,235	1,101

Earnings per ordinary share

	4Q'19 $m	4Q'18 $m	Change %	3Q'19 $m	Change %	FY'19 $m	FY'18 $m	Change %
Profit/(loss) for the period attributable to equity holders	72	(1,236)	nm[2]	772	(91)	2,340	1,109	111
Non-controlling interests	(7)	(11)	36	(11)	36	(37)	(55)	33
Dividend payable on preference shares and AT1 classified as equity	(191)	(185)	(4)	(36)	nm[2]	(448)	(436)	(3)
Profit/(loss) for the period attributable to ordinary shareholders	(126)	(1,432)	91	725	nm[2]	1,855	618	nm[2]
Items normalised:								
Provision for regulatory matters	-	900	nm[2]	22	nm[2]	226	900	75
Restructuring	117	392	71	123	8	254	478	47
Profit from associates and joint ventures	(13)	-	nm[2]	(12)	(8)	(48)	-	nm[2]
Gains arising on repurchase of subordinated liabilities	-	-	nm[2]	-	nm[2]	-	(69)	nm[2]
Goodwill Impairment	27	-	nm[2]	-	nm[2]	27	-	nm[2]
Tax on normalised items	(19)	(46)	63	(1)	nm[2]	152	104	46
Underlying profit	(14)	(186)	92	857	Nm	2,466	2,031	21
Basic - Weighted average number of shares (millions)	3,197	3,310	nm[2]	3,220	nm[2]	3,256	3,306	nm[2]
Diluted - Weighted average number of shares (millions)	3,228	3,345	nm[2]	3,258	nm[2]	3,290	3,340	nm[2]
Basic earnings/(loss) per ordinary share (cents)	(3.9)	(43.3)	39.3	22.5	(26.5)	57.0	18.7	38.3
Diluted earnings/(loss) per ordinary share (cents)	(3.9)[1]	(43.3)[1]	39.3	22.3	(26.2)	56.4	18.5	37.9
Underlying basic earnings per ordinary share (cents)	(0.4)	(5.6)	5.2	26.6	(27.1)	75.7	61.4	14.3
Underlying diluted earnings per ordinary share (cents)	(0.4)[1]	(5.6)[1]	5.2	26.3	(26.8)	75.0	60.8	14.1

1 The impact of any diluted options has been excluded from this amount as required by IAS 33 Earnings per share
2 Not meaningful

Return on Tangible Equity

	4Q'19 $m	4Q'18 $m	Change %	3Q'19 $m	Change %	FY'19 $m	FY'18 $m	Change %
Average parent company Shareholders' Equity	44,855	45,751	(2)	44,970	-	45,187	46,130	(2)
Less Preference share premium	(1,494)	(1,494)	-	(1,494)	-	(1,494)	(1,494)	-
Less Average intangible assets	(5,187)	(5,034)	(3)	(5,097)	(2)	(5,119)	(5,023)	(2)
Average Ordinary Shareholders' Tangible Equity	38,174	39,223	(3)	38,379	(1)	38,574	39,613	(3)
Profit/(loss) for the period attributable to equity holders	72	(1,236)	nm[1]	772	(91)	2,340	1,109	111
Non-controlling interests	(7)	(11)	36	(11)	36	(37)	(55)	33
Dividend payable on preference shares and AT1 classified as equity	(191)	(185)	(4)	(36)	nm[1]	(448)	(436)	(3)
Profit/(loss) for the period attributable to ordinary shareholders	(126)	(1,432)	91	725	nm[1]	1,855	618	nm[1]
Items normalised:								
Provision for regulatory matters	-	900	nm[1]	22	nm[1]	226	900	(75)
Restructuring	117	392	71	123	8	254	409	(38)
Profit from associates and joint ventures	(13)	-	nm[1]	(12)	(8)	(48)	-	nm[1]
Goodwill Impairment	27	-	nm[1]	-	nm[1]	27	-	nm[1]
Tax on normalised items	(19)	(46)	63	(1)	nm[1]	152	104	46
Underlying profit for the period attributable to ordinary shareholders	(14)	(186)	92	857	nm[1]	2,466	2,031	21
Underlying Return on Tangible Equity	(0.1)	(1.9)	173 bps	8.9	(902) bps	6.4	5.1	127 bps
Statutory Return on Tangible Equity	(1.3)	(14.5)	1316 bps	7.5	(881) bps	4.8	1.6	325 bps

1 Not meaningful

Net Tangible Asset Value per Share

	31.12.19 $m	31.12.18 $m	Change %	30.09.19 $m	Change %	FY'19 $m	FY'18 $m	Change %
Parent company shareholders' equity	44,837	45,119	(1)	44,872	-	44,837	45,119	(1)
Less Preference share premium	(1,494)	(1,494)	-	(1,494)	-	(1,494)	(1,494)	-
Less Intangible assets	(5,290)	(5,056)	(5)	(5,083)	(4)	(5,290)	(5,056)	(5)
Net shareholders tangible equity	38,053	38,569	(1)	38,295	(1)	38,053	38,569	(1)
Ordinary shares in issue, excluding own shares ('m)	3,191	3,303	(3)	3,195	-	3,191	3,303	(3)
Net Tangible Asset Value per share (c)	1,192	1,168	26	1,199	(6)	1,192	1,168	2

Five-year summary[1]

	2019 $million	2018 $million	2017 $million	2016 $million	2015 $million
Operating profit before impairment losses and taxation	**4,484**	3,142	4,008	3,849	4,116
Impairment losses on loans and advances and other credit risk provisions	**(908)**	(653)	(1,362)	(2,791)	(4,976)
Other impairment	**(136)**	(182)	(179)	(612)	(855)
Profit/(loss) before taxation	**3,713**	2,548	2,415	409	(1,523)
Profit/(loss) attributable to shareholders	**2,303**	1,054	1,219	(247)	(2,194)
Loans and advances to banks[2]	**53,549**	61,414	78,188	72,609	64,494
Loans and advances to customers[2]	**268,523**	256,557	282,288	252,719	257,356
Total assets	**720,398**	688,762	663,501	646,692	640,483
Deposits by banks[2]	**28,562**	29,715	30,945	32,872	28,727
Customer accounts[2]	**405,357**	391,013	370,509	338,185	337,606
Shareholders' equity	**44,835**	45,118	46,505	44,368	46,204
Total capital resources[3]	**66,868**	65,353	68,983	68,181	70,364
Information per ordinary share					
Basic earnings/(loss) per share	**57.0c**	18.7c	23.5c	(14.5)c	(91.9)c
Underlying earnings/(loss) per share	**75.7c**	61.4c	47.2c	3.4c	(6.6)c
Dividends per share[4]	**22.0c**	17.0c	–	–	13.71c
Net asset value per share	**1,358.3c**	1,319.3c	1,366.9c	1,307.8c	1,366.0c
Net tangible asset value per share	**1,192.5c**	1,167.7c	1,214.7c	1,163.9c	1,244.1c
Return on assets[5]	**0.3%**	0.3%	0.2%	0.0%	(0.3)%
Ratios					
Statutory return on ordinary shareholders' equity	**4.2%**	1.4%	1.7%	(1.1)%	(5.3)%
Statutory return on ordinary shareholders' tangible equity	**4.8%**	1.6%	2.0%	(1.2)%	(5.9)%
Underlying return on ordinary shareholders' equity	**5.6%**	4.6%	3.5%	0.3%	(0.4)%
Underlying return on ordinary shareholders' tangible equity	**6.4%**	5.1%	3.9%	0.3%	(0.4)%
Statutory cost to income ratio (excluding UK Bank levy)	**68.7%**	76.6%	70.7%	69.9%	70.2%
Statutory cost to income ratio (including UK Bank levy)	**70.9%**	78.8%	72.2%	72.6%	73.1%
Underlying cost to income ratio (excluding UK Bank levy)	**65.9%**	67.7%	69.3%	69.5%	65.0%
Underlying cost to income ratio (including UK Bank levy)	**68.2%**	69.9%	70.8%	72.2%	67.8%
Capital ratios:					
(CET1)/ Tier 1 capital[6]	**13.8%**	14.2%	13.6%	13.6%	12.6%
Total capital[6]	**21.2%**	21.6%	21.0%	21.3%	19.5%

1 The amounts for the three financial years ended 2015 to 2017 are presented in line with IAS 39 and, therefore, not on a comparable basis to the current financial year presented in accordance with IFRS 9
2 Excludes amounts held at fair value through profit or loss
3 Shareholders' funds, non-controlling interests and subordinated loan capital
4 Dividend paid during the year per share
5 Represents profit attributable to shareholders divided by the total assets of the Group
6 Unaudited

Basis of presentation

The consolidated and Company financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, fair value through other comprehensive income, and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The consolidated financial statements are presented in United States dollars ($), being the presentation currency of the Group and functional currency of the Company, and all values are rounded to the nearest million dollars, except when otherwise indicated.

Changes in accounting policy may be found in Note 1 to the financial statements

Alternative performance measures are defined on page 64 of the Annual report.

Shareholder information

Expected dividend and interest payment dates

Ordinary shares	Final dividend
Results and dividend announced	27 February 2020
Ex-dividend date	5 March (UK) 4 March (HK) 2020
Record date for dividend	6 March 2020
Last date to amend currency election instructions for cash dividend	15 April 2020
Dividend payment date	14 May 2020

Preference shares	1st half yearly dividend	2nd half yearly dividend
73⁄8 per cent non-cumulative irredeemable preference shares of £1 each	1 April 2020	1 October 2020
81⁄4 per cent non-cumulative irredeemable preference shares of £1 each	1 April 2020	1 October 2020
6.409 per cent non-cumulative redeemable preference shares of $5 each	30 January and 30 April 2020	30 July and 30 October 2020
7.014 per cent non-cumulative redeemable preference shares of $5 each	30 January 2020	30 July 2020

Annual General Meeting

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

Date and time	Location
Wednesday 6 May 2020 11.00am London time (6.00pm Hong Kong time)	etc. venues 200 Aldersgate St Paul's London EC1A 4HD

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

Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at sc.com/agm

Interim results

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

Country-by-country reporting

In accordance with the requirements of the Capital Requirements (country-by-country reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2019, on or before 31 December 2020. We have also published our approach to tax and tax policy.

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

ShareCare

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

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

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

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Final 2007	16 May 2008	56.23c/28.33485p/HK$4.380092	£16.2420/$32.78447
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK$0.86293/INR0.653643340[1]	£7.7600/$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK$0.46978/INR0.3696175[1]	£6.7104/$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK$1.176260/INR0.957691650[1]	N/A
Interim 2019	21 October 2019	7.00c/5.676776p/HK$0.548723/INR0.425028600[1]	N/A

1 The INR dividend is per Indian Depository Receipt

Donating shares to ShareGift

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

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

Bankers' Automated Clearing System (BACS)

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

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

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or call the shareholder helpline number on 0370 702 0138.

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

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

If you hold Indian Depository Receipts and you have enquiries, please contact KFintech, Tower B, Plot 31-32, Selenium Building, Financial District, Nanakramguda, Gachibowli, Hyderabad 500032, Telangana, India.

Chinese translation

If you would like a Chinese version of the 2019 Annual Report please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Annual Report, the English text shall prevail.

Electronic communications

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