



ANNUAL REPORT 2018

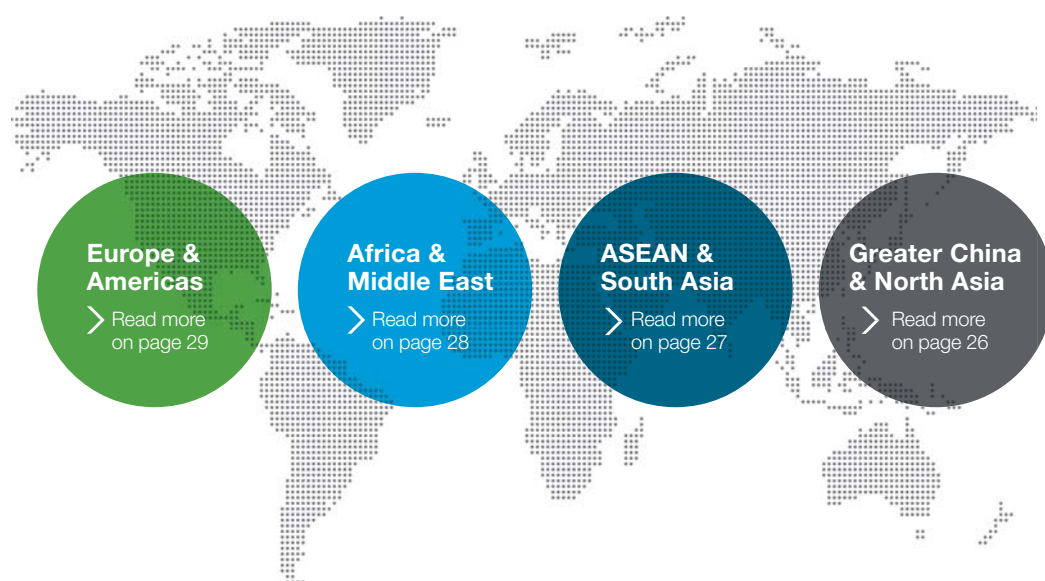
# Here for good

Driving commerce and prosperity  
through our unique diversity



## Standard Chartered is a leading international banking group.

Our heritage and values are expressed in our brand promise, Here for good. Our operations reflect Our Purpose, which is to drive commerce and prosperity through our unique diversity. We are present in 60 markets and serve clients in a further 85. Our businesses serve four client segments in four regions, supported by our global functions.



### About this report

Sustainability reporting is embedded across our Annual Report and Accounts and is also available in consolidated form in our Sustainability Summary at [sc.com/sustainabilitysummary](https://sc.com/sustainabilitysummary)

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

For more information please visit [sc.com](https://sc.com)

### Further information is available where you see these icons:

- > Additional information can be found within the report
- + More information is available online



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[linkedin.com/company/standard-chartered-bank](https://linkedin.com/company/standard-chartered-bank)

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### Photo competition

In 2018 we ran our Annual Report staff photo competition again, this time showcasing our three valued behaviours. The top three entrants can be found on the front and back cover, and there is further information on [pages 134, 224 and 356](#).

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

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

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

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

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



## OUR PURPOSE AND PROGRESS

## Delivering our strategy

Over the past year we have made substantial progress in executing the turnaround plan laid out in 2015. We have significantly improved profitability, balance sheet quality, conduct and financial returns and we are now evolving our strategy to focus on our next horizon. We gauge our annual progress against a set of Group key performance indicators (KPIs), a selection of which are shown below, as well as client segment KPIs, some of which are shown on pages 21 to 24.

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



Clients



Colleagues



Investors



Regulators &amp; governments



Society



Suppliers

> Read more on page 15 and 42-51

## FINANCIAL KPIs

## Return on tangible equity

5.1% 120bps  
Underlying basis

1.6% 40bps  
Statutory basis

## Return on equity

4.6% 110bps  
Underlying basis

1.4% 30bps  
Statutory basis

## Common Equity Tier 1 ratio

14.2% 60bps

> Read more on page 5

## Total shareholder return

(21.5)% nm

> Read more on page 5

> Read more on page 5

## NON-FINANCIAL KPIs

## Diversity and inclusion: women in senior roles

27.7% 2%

> Read more on page 44

## Sustainability Aspirations met or on track

90.9% 2%

> Read more on page 47

## OTHER FINANCIAL MEASURES

## Operating income

\$14,968m 5%  
Underlying basis

\$14,789m 3%  
Statutory basis

> Read more on page 31

## Profit before tax

\$3,857m 28%  
Underlying basis

\$2,548m 6%  
Statutory basis

> Read more on page 31

## Earnings per share

61.4 cents 14.2 cents  
Underlying basis

18.7 cents 4.8 cents  
Statutory basis

> Read more on page 31

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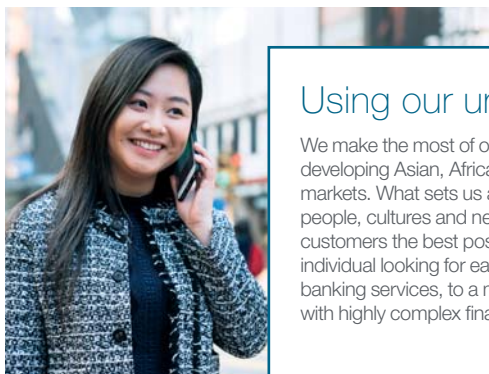
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## Who we are and what we do

### Here for good

At Standard Chartered our purpose is to drive commerce and prosperity through our unique diversity. We offer banking services that help people and companies to succeed, creating wealth and growth across our markets. Our heritage and values are expressed in our brand promise, Here for good.



#### Using our unique diversity

We make the most of our deep roots in rapidly developing Asian, African and Middle Eastern markets. What sets us apart is our diversity – of people, cultures and networks. We use this to give customers the best possible experience, from an individual looking for easy, fast and convenient banking services, to a multinational corporation with highly complex financing needs.

## How we are organised

### OUR CLIENT SEGMENTS

#### GLOBAL:

##### Corporate & Institutional Banking

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

##### Operating income

\$6,860m Underlying basis  
\$6,606m Statutory basis

##### Private Banking

Helping over 8,000 clients grow and protect their wealth.

##### Operating income

\$516m Underlying basis  
\$518m Statutory basis

##### Central & other items

##### Operating income

\$1,160m Underlying basis  
\$1,234m Statutory basis

#### LOCAL:

##### Retail Banking

Serving over nine million individuals and small businesses.

##### Operating income

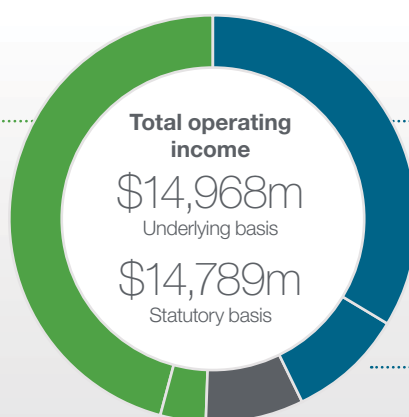
\$5,041m Underlying basis  
\$5,041m Statutory basis

##### Commercial Banking

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

##### Operating income

\$1,391m Underlying basis  
\$1,390m Statutory basis



### GLOBAL FUNCTIONS

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

#### Human Resources

Enables business performance through recruiting, developing and engaging colleagues.

#### Legal

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

#### Technology & Innovation

Responsible for the Group's operations, systems development and technology infrastructure.

#### Risk

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

#### Operations

Responsible for all client operations, end-to-end, and ensures the needs of our clients are at the centre of our operational framework. The function's

## Supporting good growth

As the economies in our core markets grow, so does the need for sophisticated financial services. We believe it's crucial to adhere to global standards of conduct and compliance, and that by doing so we offer the best service to our clients. Wherever we operate, we aim to support sustainable economic and social development.



## Promoting an inclusive culture

We're committed to promoting equality in the workplace and creating an inclusive and flexible culture – one where everyone can realise their full potential and make a positive contribution to our organisation. This in turn helps us to provide better support to our broad client base.



### OUR REGIONS

#### Greater China & North Asia

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

##### Operating income

\$6,157m    \$6,150m  
Underlying basis    Statutory basis

#### Africa & Middle East

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

##### Operating income

\$2,604m    \$2,605m  
Underlying basis    Statutory basis

#### Central & other items

##### Operating income

\$566m    \$363m  
Underlying basis    Statutory basis

#### ASEAN & South Asia

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

##### Operating income

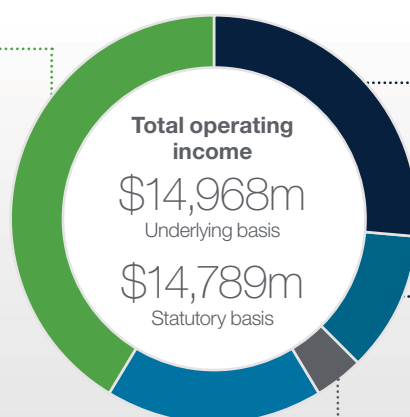
\$3,971m    \$3,992m  
Underlying basis    Statutory basis

#### Europe & Americas

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

##### Operating income

\$1,670m    \$1,679m  
Underlying basis    Statutory basis



**Total operating income**  
\$14,968m  
Underlying basis

\$14,789m  
Statutory basis

strategy is supported by consistent performance metrics, standards and practices that are aligned to client outcomes.

#### Group CFO

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

#### Corporate Affairs & Brand and Marketing

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

#### Group Internal Audit

An independent function whose primary role is to help the Board and Executive Management to

protect the assets, reputation and sustainability of the Group.

#### Conduct, Financial Crime and Compliance

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

## Group Chairman's statement

# A more innovative and resilient bank capable of stronger growth

I was convinced when I became Group Chairman that Standard Chartered was a unique organisation with huge potential based on its extraordinary network across many of the most dynamic economies in the world. This opinion is now more resolute than ever, having seen the Group strengthen its foundations and position itself for stronger and more sustainable growth. One of our Board's key priorities is to ensure we do everything we can to help continue to unlock this potential in pursuit of Our Purpose – driving commerce and prosperity through our unique diversity.

This means that as well as our fiduciary responsibilities to our investors, we have a tremendous responsibility to the communities and societies in which we operate. Two-thirds of the global population live in our fast-growing markets, and many have living standards below that which they deserve. We are committed to promoting sustainable economic and social development that improves the lives of people across our communities and transforms our markets for the better.

### Progress during 2018

This year's performance was delivered against a largely supportive external environment, but the global economy began to lose some steam as the year progressed, mainly due to two factors. Firstly, the continued trade tensions between the United

States and China, which have significantly impacted market confidence and – in some cases – demand. And secondly, the tighter financial conditions we have seen in both emerging and developing markets as the US Federal Reserve gradually increased interest rates during the year.

This is the third year of our current strategy, and our 2018 results reflect further significant progress against our 2015 strategic priorities. Given the improved performance the Board has declared a final ordinary dividend of 15 cents per share, which would result in a full-year dividend for 2018 of 21 cents per share, approximately double the full-year dividend paid last year. We intend to increase the full-year dividend per share over time, as I described in my statement last year. As we progress in the execution of our strategy and build towards a 10 per cent return on tangible equity, the full-year dividend per share has the potential to double by 2021. To the extent additional capital generated over that period is not needed to fund further business growth, the Board will consider optimal ways of returning the excess to shareholders. The Board has also decided to adopt a formulaic approach to setting the interim dividend starting this year, being one-third of the prior year full-year dividend per share.

We have stronger foundations across all dimensions. Income is growing at a rate greater than our costs, credit impairment has notably reduced, underlying profits have increased significantly and our return on

tangible equity has improved. But we have not yet reached our objective of achieving double-digit returns. Our shareholders expect this of us and we are determined to deliver it.

We have continued to plant the seeds that will deliver better performance over time. During 2018, we worked to make the bank a better organisation, capable of growing faster by strengthening our performance culture, becoming increasingly client-centric, focusing on the long term, innovating across many fronts and becoming simpler, faster and better. We delivered a negative shareholder return in 2018 in weak global equity market conditions, after two consecutive years of positive progress. I can assure you getting back to growth in that regard is an important Board priority.

### Outlook for 2019

While uncertainties, mostly linked to geopolitical and political factors, have increased and global growth has moderated and become less balanced, the global economy is still expected to advance at a reasonably strong rate. The markets in our footprint continue to lead global growth, and substantial opportunities remain across them.

While we are of course not able to shape the external environment, there is much we can do to continue to grow strongly, in a safe and sustainable manner. Later in this report, Bill will set out the areas on which we will focus to develop the Group over the next three years with a view to further improving financial returns.

We must also take time to step back and consider the longer-term regulatory, political, economic, technological and societal drivers of change shaping our business and assess the impact on us. This ensures we will be able to combine the best of the old – in connecting people through trade and commerce – together with the best of the new in innovation, digital technologies and increasing client-centricity. It also enables us to prepare both for the opportunities of the future and the inevitable challenges, which put a premium on both agility and resilience.

As a Board, we have also been paying particular attention to how management develops attractive value propositions for clients, advancing our own digital revolution and becoming more disruptive in our markets. This is particularly important as competition in this space continues to grow, not just from banks, but from fintech and Big Tech companies. These new players are

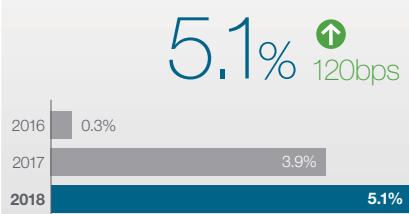


**José Viñals**  
Group Chairman

## Financial KPIs

### Underlying return on tangible equity (RoTE)

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

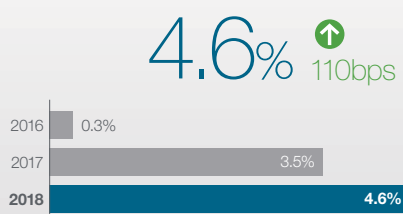


**Analysis** Underlying RoTE of 5.1 per cent in 2018 was an improvement on 3.9 per cent in 2017 but further progress is required

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

### Underlying return on equity (RoE)

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

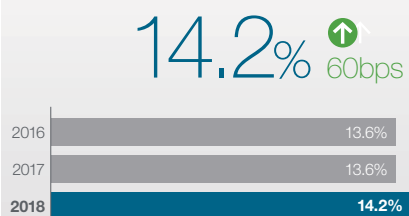


**Analysis** Underlying RoE of 4.6 per cent in 2018 was a further improvement on 3.5 per cent in 2017, but progress is still required

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

### Capital ratio

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

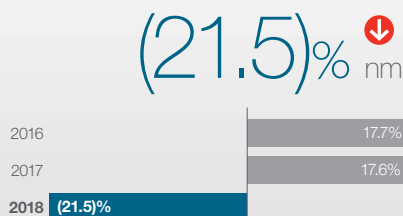


**Analysis** The Group's CET1 ratio was 14.2 per cent – above the top end of the range

The components of the Group's capital are summarised on page 218

### Total shareholder return (TSR)

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



**Analysis** The Group's TSR in the full year 2018 was negative 21.5 per cent, compared to positive 17.6 per cent in 2017

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

This year, we have also established a newly licensed entity in Frankfurt, which means that we will be able to continue to service our European clients post-Brexit, regardless of the outcome of the EU/UK negotiations.

### Helping make the world more sustainable

The world is changing rapidly, and our colleagues, clients and communities face daily economic, environmental and social challenges. At the same time, there are rising expectations about the role banks should play in creating jobs and prosperity, and in protecting the environment. It is our role to lead in taking the difficult decisions to balance environmental, social and economic needs, while listening carefully to our stakeholders – our clients, colleagues, investors, local governments, policymakers and NGOs.

This year, we launched our refreshed public Position Statements, which cover new and tightened requirements that must be met before we can undertake business in industries with high-potential environmental or social impact. This includes our position on power generation, which states we will cease providing financing for new coal-fired power plants anywhere in the world, save where there is an existing commitment.

In 2018, we celebrated 15 years of our Seeing is Believing initiative, surpassing our \$100 million fundraising target in the fight against avoidable blindness. The efforts and commitment of our colleagues, as well as the support of our partners, meant that Seeing is Believing has been able to reach more than 176 million people across 37 countries, supported 4.6 million sight-restoring surgeries and trained more than 334,000 health workers since 2003. This is a proud moment for us, and I would like to thank our colleagues for their dedication and the difference they have made to the lives of individuals across our markets.

Drawing on this success, we have set ourselves a new challenge. Through Futuremakers by Standard Chartered, we will raise \$50 million between 2019 and 2023 to deliver community programmes that provide disadvantaged young people with the chance to learn new skills and expertise, and improve their chances of getting a job or starting their own business.

increasingly providing financial services with developed technology platforms and lower costs, often with more limited regulatory obligations at present.

We must also consider how we see the balance between returns and risk. In this context, the Board is supportive of an environment where our colleagues feel freer to innovate, collaborate and grow within the limits defined by our Risk Appetite.

### Strengthening our defences

This year, we have been encouraged by the significant further progress we have made in improving our Risk Management Framework across all dimensions, alongside our stronger capital and liquidity position. The fight against

financial crime remains paramount to us, both in our operations and in leading and partnering in initiatives to combat it more effectively.

Our enhanced Risk Appetite Statement and our improved attention to non-financial risks are two further key areas which make us stronger, and we have also passed the latest round of the Bank of England stress tests without any caveats.

That said, we are by no means complacent. One risk domain which remains top of mind is cyber risk. We continue to expand our capabilities in this area and enhance our operating models to strengthen our defences and keep pace with ever-evolving cyber threats.



## Group Chairman's statement continued

### Governance and culture

A strong culture and robust governance are essential. The Board continues to strive for a culture of open communication and challenge inside the boardroom, where the Board can hold management accountable for execution and delivery of the Board-approved strategy. We also need to continue setting the tone from the top on the right culture for the Group. Leading by example is today more important than ever. Only fully ethical leadership based on the right values and behaviours can succeed over the long term. Anything else

is a mirage and bound to evaporate sooner or later. It is as much about how we do things as what we do.

Having a strong performance culture should be closely aligned to the Group's values. If we can outperform by making globalisation work through our diversity of markets and people, then we have put a solid stake in the ground about our values throughout all our markets.

At a Board level, our role is to champion this so that our brand promise, Here for good, becomes even more of a reality, always and

everywhere. It's the same for conduct – while progress has been made, it remains a crucial task of the Board in overseeing that all our colleagues own our culture and behave consistently with our valued behaviours.

We recently announced that Carlson Tong has joined our Board. Carlson has over 30 years' experience operating in mainland China, Hong Kong and the wider Asia Pacific region, and a deep understanding and knowledge of the financial services sector in some of our key markets. We also announced that Dr Han Seung-soo is retiring from the Board. I would like to take this opportunity to thank Dr Han for his substantial contributions to the Group over the past nine years, as well as his considerable insight into Asia, particularly Korea. Om Bhatt is also stepping down from the Board, and I would like to thank Om for his significant contribution to the Group over the past six years, in particular his insight into banking and India.

Although not part of the formal governance of the Group, we established our International Advisory Council, bringing together leading global figures, which held its inaugural meeting in early February. I see this as a great additional resource for the Group in helping us better understand the key drivers influencing the world and our markets and their strategic implications for the Group.

### Conclusion

The global economy has continued to grow, but geopolitical uncertainties and the spectre of trade protectionism remain. We are realistic concerning the key issues and risks, but despite this, the opportunities in our markets remain substantial and the work that we have done in recent years in enhancing our capabilities and strengthening our resilience puts us now in a better place to capture them.

Based on our extraordinary footprint and the talent of our colleagues, I am confident that as we execute our new strategic objectives with discipline and energy we will create long-term value for all our stakeholders and become the best bank we can be.



**José Viñals**  
Group Chairman

26 February 2019

### Recognition Awards 2018

The Standard Chartered Recognition Awards were introduced in 2018 to put the spotlight on colleagues who bring our valued behaviours – Do the right thing, Never settle, Better together – to life, delivering outstanding outcomes for the business. The awards reinforce that driving our performance depends as much on 'how' we do things as 'what' we do.

The Group Chairman and the Management Team spent a day with the finalists, where

they learned more about the finalists' inspiring stories and experienced their tremendous enthusiasm first-hand. All the finalists had showed remarkable courage, resilience and leadership, breaking down barriers, and taking personal responsibility to lead from within, and not just rely on leadership from above.

Choosing the winners was extremely tough, but the judges eventually settled on three outstanding examples of Do the right thing, Never settle, and Better together, plus one special Leadership award.

### Winners



#### First digital bank in Cote d'Ivoire

From left: Rs Sugavanam, Henry Baye, Ananth Gopal, Yustus Aribariho, Olga Arara-Kimani, Sunil Kaushal (presenting the awards) and Jean Charles Yallet



**Never settle**



#### Business Credit Applications team

From left: Adnan Ahmed, Shahzad Nasiri, Hamid Sameen, Syed Waqar Ahmed



**Better together**



#### 'This is Me' mental health awareness campaign

From left: Chris Parker, Sam King, Alex Gee, Peter Gibbinson, Kelly Hanson, Sean Mechie



**Do the right thing**



#### Leadership Award

From left: Bill Winters, Marisa Scauzillo and José Viñals. Marisa was recognized as an exceptional people leader who works well under pressure, exceeds client expectations and exemplifies all three valued behaviours



## Group Chief Executive's review

# Delivering sustainable, high-quality growth

We have made tremendous progress since 2015 when we set out to build strong foundations, get lean and focus on our strengths, and invest and innovate to delight our customers. In 2018, we saw further evidence of this strategy coming through – we grew profits and returns, reinstated the interim dividend, improved our customer satisfaction measures in key products and segments, invested in exciting transformative initiatives and became more agile in capturing attractive opportunities in our markets.

### Our purpose

Standard Chartered is a unique bank. We have deep roots in, and a non-replicable network across, many of the world's most dynamic markets, where half of the global GDP growth is expected to be generated over the next five years. Every day, our 85,000 employees of 125 nationalities help millions of people and companies succeed by growing, investing and protecting their wealth, while supporting sustainable economic and social development in the communities in which we operate. It has become fashionable to talk about purpose, but this is not new for us. Throughout our history, this purpose – to drive commerce and prosperity through our unique diversity – has always guided our decisions, behaviours and everything that we do.

Just as it has in the past, our purpose will continue to enable our success in the future. It therefore underpins the refreshed priorities that we are announcing today.

### 2018 performance

2018 was a year in which commerce and prosperity encountered their fair share of challenges. While the year started strongly with good momentum across all businesses, client sentiment in our markets dipped later in the year, coming under pressure from geopolitical uncertainties, the rapid escalation of trade tensions between the US and China, as well as slower growth in the global economy. Despite these conditions we have continued to make good progress on delivering our key areas of focus.

Our Greater China & North Asia and Retail Banking businesses overall continue to go from strength to strength. Our Transaction Banking business has taken an increasing share of a competitive market, allowing it to excel on the back of higher interest rates. Our Financial Markets business, which is one of our higher-returning activities and a major contributor to our network franchise, has grown in an environment where most others shrank, and we expect stronger performance from the refreshed team.

We grew in all segments and regions on a year-on-year basis, except for Africa & Middle East, where continued macro-political issues, exacerbated by currency depreciations, dampened income momentum.

Over half of our income is now generated from the network and wealth management activities in which we have invested. This income is growing quickly and generating premium returns. This transition to higher quality growth, together with tight cost and risk control, means we have improved our underlying return on tangible equity (RoTE) a further 120 basis points in 2018 to 5.1 per cent. While we are encouraged by the steady improvement, we are acutely aware that this level of return remains below our cost of capital.

So, what now? The Group, now on secured foundations and poised for sustainable, higher-returning growth, is at another inflection point. The refreshed priorities that we are announcing today will help realise the value of the franchise, measured not only in monetary terms but also in the positive impact on our clients, stakeholders and communities. We expect to reach a double-digit RoTE by 2021 by continuing to build a purpose-led organisation which propels global trade and investment, helps our customers and markets achieve wealth and prosperity, while doing everything that we can to make the world a cleaner, safer and more sustainable place.

### Wealth and prosperity

We are here to help our clients become more prosperous – whether they are international companies fostering trade and investment, or individual customers who seek help in managing their wealth.

We continue to improve our services for the emerging affluent. We launched Premium Banking in eight markets in 2018. Priority and Premium customers now make up 56 per cent of our Retail Banking income, compared to 27 per cent in 2014. This is no coincidence – we are laser-focused on improving their banking experience with us, as exemplified by the fact that the Group is ranked by RFI Group as the best-in-class international bank for the Priority segment in seven of our top eight retail markets. Our open-architecture wealth management platform, from which we now generate 30 per cent of our Retail Banking income compared to 20 per cent in 2014, also appeals to savers and investors.



**Bill Winters**  
Group Chief Executive

## Group Chief Executive's review continued

### Invested in 2018



\$1.6bn

2017: \$1.5bn  
2016: \$1.4bn

### Proportion of Retail Banking income generated from Priority clients



47%

2017: 45%  
2016: 39%

### Proportion of Retail Banking clients that are digitally active



49%

2017: 45%  
2016: 40%

We are investing in our digital capabilities to drive transformation in profitability, opportunities and financial inclusion in the retail mass market. We are combining world-class expertise with local knowledge to be nimble and disruptive. Following the successful testing and launch of our first digital retail bank in Côte d'Ivoire last year, we have rolled out a similar model in Uganda, Tanzania and Ghana, and have plans to roll out in Kenya in the first quarter of 2019, subject to regulatory approval, and in most of our African markets by the end of the year. We have also made over 50 banking services available on a single mobile app in India. By collaborating with best-in-class partners, we can rapidly develop and roll out exceptional client propositions. Not only have we applied to establish a virtual challenger bank in Hong Kong, we, together with Alibaba's Ant Financial, have launched two real-time, cross-border, blockchain-based payment services for the Hong Kong-Philippines and Malaysia-Pakistan remittance corridors, with plans to do more. As we advance our digital capabilities, we remain committed to increasing our investments in our cyber resilience and security. We believe that easy and immediate access to banking and wealth advisory services, enabled by mobile connectivity, will drive wealth and prosperity in even the most remote corners of our emerging markets – we have an important role to play.

### Trade and investment

As a global bank with deep local expertise in Asia, Africa and the Middle East, we strongly believe in the powerful benefits of globalisation. For over 160 years, we have facilitated trade and investment in and across our markets, contributing to the rapid economic development of countries from China to Nigeria, from Singapore to the UAE.

While the benefits of globalisation have not been equally distributed, as evidenced by the rising populism in many countries, it cannot be disputed that global investment and trade have lifted more than a billion people out of extreme poverty. Supporting these global capital flows is at the heart of our business; not only is it one of our differentiated customer propositions, but it also enables us to play a key role in tackling inequality.

Our refreshed strategic priorities include reinforcing our efforts to support China's opening and Africa's development. As one of the largest international banks in China, and the only global bank present in scale across Africa, we are ideally positioned to help facilitate cross-border trade and investment into and out of both regions.

Beyond China and Africa, our presence in 60 markets, including 45 along the Belt & Road Initiative routes, as well as our wider network, which serves clients in a further 85 markets, is proving highly attractive to our clients. Large multinational corporates and institutions are signing up in increasing numbers because we can help them manage their own businesses efficiently and safely across multiple borders. In a report conducted by East & Partners in 2018, we ranked first for customer satisfaction in trade finance across Asia. About two-thirds of the income generated by our Corporate & Institutional Banking business is now from clients that are using the network, a significant increase compared with 2015 when the Group was more focused on capital-intensive lending to support the in-country needs of clients.

Our client income is now more diversified, less capital-intensive, stickier and higher-returning. But there are still some key markets where we have not yet fulfilled our potential. We are targeting higher-returning income and efficiencies in India, Korea, the UAE and Indonesia. Realising the opportunities those markets present will significantly enhance the Group's financial performance and returns.

As one of the leading trade banks in the world, we are investing and innovating in the way global trade finance operates to improve our customers' experiences. In addition to working with blockchain platforms like Ripple for real-time cross-border currency settlement and supply chain financing, we are collaborating with Siemens Financial Services and TradeIX to create the industry's first blockchain-based smart guarantees, digitising the end-to-end process in trade finance.

## Sustainable banking

Since its launch in 2010, our brand promise, Here for good, has been deeply embedded into the fabric of our organisation. At its core is the promise that we will be a force for good, helping clients navigate complex threats and manage their finances consistent with their own sustainability goals.

Our unique diversity helps us to be a force for good. In addition to being included in the Bloomberg Gender Equality Index for the fourth consecutive year, the Group has been recognised by Equileap last year as a top performing UK company for gender equality, ranking third in the UK and 26th globally – a significant improvement from 42nd in 2017. However, we still have room to improve. Although we have virtually no gender pay gaps in our major markets when adjusted for level and business area, we continue to have an overall gender pay gap in the UK and other major markets, reflecting the fact that we have fewer females than males in senior roles and in businesses where the market rates of pay are highest. You may read more in our 2018 Gender Pay Gap disclosure on page 46. It will take some time and hard work, but we will not settle until the gap is fully closed.

It remains our commitment to be a leader in the fight against financial and cyber crime while partnering with others to do so. We continue to invest heavily in improving standards across our markets and with our clients. In addition to our highly successful correspondent banking and new NGO academies, we – along with a group of global banks – established a joint initiative to build a digital Trade Information Network, which will enable better assessment of risks, particularly around double financing and fraudulent trade information.

We are remediating the Group's historical conduct issues and have made substantial progress in resolving past financial crime control issues. The New York State Department of Financial Services has acknowledged the Group's progress in remediating and improving its financial crime controls to the point that a monitor is no longer necessary and has been replaced by an independent consultant.

We have received a decision notice from the Financial Conduct Authority (FCA) concerning the Group's historical financial crime controls and we continue our discussions relating to the potential resolution of the investigation by the US authorities relating to historical violations of US sanctions, the vast majority of which pre-date 2012. As announced on 20 February 2019, we have made a provision for potential penalties relating to the US investigation, the FCA decision and previously disclosed foreign exchange trading issues. Further details are set out in Note 26 on page 305.

It is our responsibility to do everything in our power to make the world cleaner and our communities more sustainable. In addition to launching the world's first sovereign blue bond designed to support sustainable marine and fisheries projects for the Republic of Seychelles, we refreshed and consolidated our Position Statements and announced our decision not to finance any new coal-fired power plants. We are developing ways to measure and reduce our aggregate carbon footprint, including those related to our financing activities, and will be working with our clients and other stakeholders to drive this commitment around the world. We are also working with a range of partners to increase the industry's understanding of its role in stopping the illegal wildlife trade.

We continue to invest in our communities to promote sustainable economic and social development. As José mentioned in his statement, we began to shift our focus in 2018 to delivering community programmes that promote economic inclusion and address the challenge of inequality in our markets.

## From turnaround to transformation

Our refreshed strategic priorities build on our purpose and earlier areas of focus, but mark a change in the way we operate as we go from turnaround to transformation. We are determined to build a culture of excellence, grow sustainably, and build long-term returns. We are doubling-down on what we have done well, focusing on how we build partnerships with others to deliver better outcomes, and refining our approach to low-returning areas where we can and must do better. We will:

- Embed a performance-orientated and innovative culture, which emphasises conduct and sustainability
- Invest to further accelerate growth in our higher returning international network and affluent client businesses, supporting China's opening and Africa's development
- Eliminate the drag on our returns from several low-returning markets, including India, Korea, the UAE and Indonesia, through cost and capital actions, investments in our affluent client franchise and potentially disruptive partnerships
- Streamline our own operations to ensure we delight our clients, and drive productivity
- Invest in digital initiatives to transform our business – augmenting strong positions in more mature markets and disrupting elsewhere, and collaborating with best-in-class partners to quickly roll-out top-class products and services
- Rapidly expand sustainable financing to drive a positive social, environmental and economic impact

By doing so, we expect to grow income between five and seven per cent, which is well above the anticipated rate of growth for the global economy, maintain strong discipline on costs to generate significant operating leverage and improve our funding and capital efficiency, producing surplus capital which can be reinvested or returned to shareholders. It is this combination that we expect will deliver a RoTE above 10 per cent by 2021.

## Outlook

We remain cautiously optimistic on the global macroeconomic environment, but the range of possible outcomes from an array of matters is wider than it has been in a long time. This creates uncertainty among policymakers as well as our clients. We believe that as multinational companies grapple with the possibility that barriers to trade could rise and supply chains may be impacted, they will find it even more important to deal with banks like ours that have the sophistication, market presence and determination to help them navigate an increasingly complex world.



## Group Chief Executive's review continued

Undoubtedly there will be shocks and bumps along the way, but as we are far more resilient now, we will be ready to absorb them when – not if – they come our way, and will seek to take advantage of disruptions if they occur.

### Conclusion

My colleagues and I have great pride in the Group and that for which it stands. Adding a sharper performance edge to that is essential. In all the markets that I have visited this year I have delivered one consistent message to our teams: our business can only thrive if our customers feel that we are helping them in extraordinary ways. We are delivering on that commitment.

I am proud of our achievements in 2018 and excited for what we have in store for 2019 and beyond. There are always external factors which are beyond our control, but they will not be accepted as excuses.

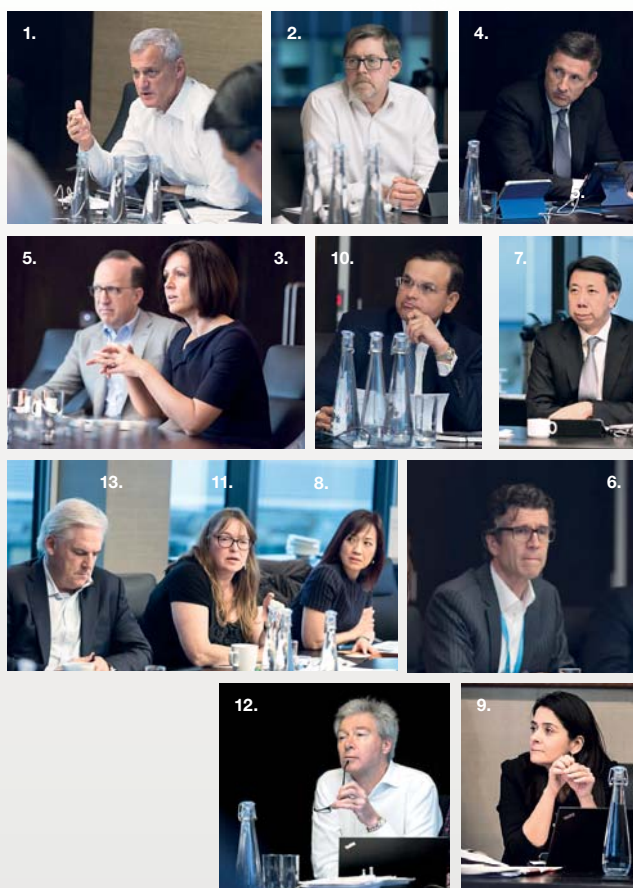
We have what it takes to perform excellently, and we will plough through obstacles we find in our way to deliver – responsibly and innovatively – the bank we know we can be.



**Bill Winters**  
Group Chief Executive

26 February 2019

## Management Team



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



## GROW WITH CLIENTS

# Supporting a fruitful export business in Mumbai

Mumbai-headquartered Patel Retail, a manufacturer and exporter of food and home and personal care items, signed an INR 100,000,000 (\$1.4 million) credit facility with Standard Chartered in January 2018.

The funds were provided in the form of cash credit and packing credit and have enabled the firm to expand its export business and, as a result, its top line growth. Since taking the facility Patel Retail has seen its sales revenue increase by INR 42.5 million (\$600,567), or 15 per cent each month.

**“We are expanding our export business across the globe and Standard Chartered is doing business across the globe, so this facility will help us with our global activity.”**

Patel Retail CFO | Deepak Jain

The company's chief financial officer, Deepak Jain, stated that it chose to work with Standard Chartered over other banks owing to its unique global footprint.

The company is planning to continue to grow its sales and export business by 20 per cent per annum over the next five years. Patel Retail was established in 2007 in Ambarnath, India. As well as running a manufacturing and export business for the overseas market, it also owns a chain of Patel R Mart supermarkets in Mumbai.



## Market environment

# Macroeconomic factors affecting the global landscape

### Trends in 2018

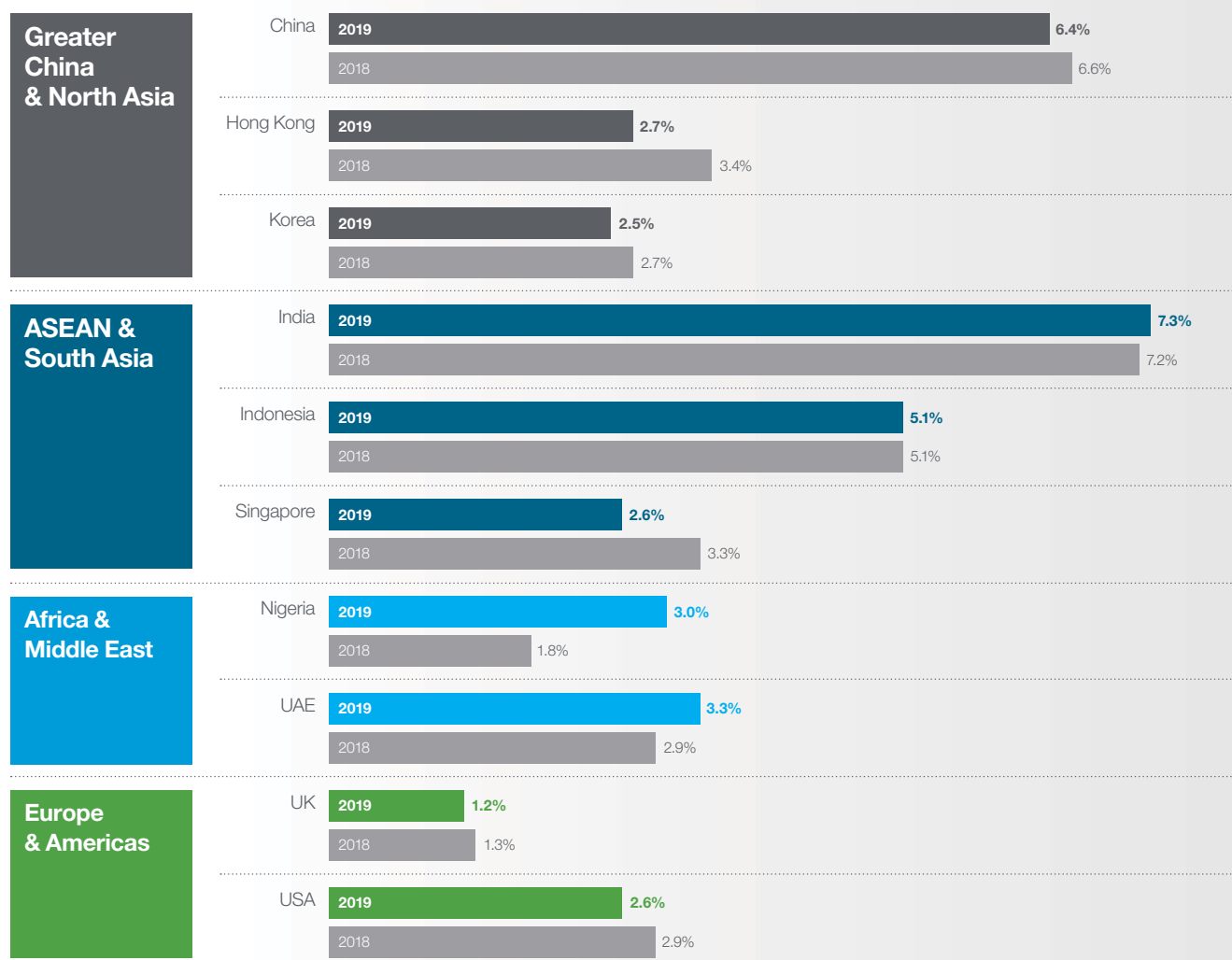
- World economy growth was strong in 2018, likely growing at 3.8 per cent, similar to growth seen in 2017
- Asia continued to be the main driver of global growth, though growth also picked up across all other regions
- Among the majors, the US was an outperformer, as growth improved on the back of fiscal stimulus
- The euro-area economy slowed in 2018, hurt by higher energy prices, trade disputes and vehicles emission testing that hit car production and sales
- Major central banks including the US Fed, the ECB and the BoE continued their gradual normalisation of monetary policy

### Outlook for 2019

- Global growth is expected to ease modestly to 3.6% in 2019
- Asia will remain the fastest-growing region in the world and will continue to drive global growth, expanding by a strong 6.1%. Sub-Saharan Africa (SSA) and Latin American countries will see strong growth as well
- Growth is likely to ease but stay robust in major economies as the impact of fiscal stimulus fades and tighter monetary conditions begin to have an impact
- A number of factors could slow growth more aggressively: US-China trade tensions, European politics, China's tough economic balancing act, and oil price volatility
- These factors could lead to mounting external pressure on emerging markets with twin deficits, resulting in more aggressive monetary tightening in these economies

### Regional trends and outlooks

#### Actual and projected growth by country in 2018 and 2019





## Medium- and long-term view

- Ongoing global growth is cyclical in nature and therefore vulnerable; structural challenges remain. Productivity growth is weak, especially in developed countries
- Long-term growth in the developed world is constrained by high levels of indebtedness and ageing populations
- There is reason to be more optimistic on long-term growth prospects for emerging markets. Unencumbered by old infrastructure, many of these countries can adopt the latest technologies and the associated infrastructure, boosting productivity growth
- Relatively younger populations in many emerging markets, the rise of the middle class and urbanisation will allow emerging markets to become increasingly more important for the global growth story
- Rising nationalism, anti-globalisation and protectionism are a threat to long-term growth prospects for emerging markets

### Trends and outlook for our four regions

#### Greater China & North Asia

See our regional performance on page 26

- China's economy is likely to lose further momentum in the coming months amid rising trade tensions with the US and slowing housing-market growth
- The government is likely to be committed to support growth, using more proactive fiscal policy via tax cuts and infrastructure spending to boost domestic demand
- We expect further reserve requirement ratio (RRR) cuts to support domestic liquidity and growth. We expect the Chinese authorities to favour exchange rate stability
- On the back of weaker trade and rising interest rates, Hong Kong's expected growth of 2.7 per cent will be moderate compared to the 3.4 per cent growth seen in 2018
- Japan is likely to see expansion for the eighth consecutive year; growth will be aided by still-easy monetary policy and fiscal policy

#### ASEAN & South Asia

See our regional performance on page 27

- ASEAN is set to remain one of the fastest-growing regions in 2019 and remains more resilient to emerging market (EM) risk aversion than other EM regions
- Slowing growth in China and worries about escalating US-China trade tensions are likely to impinge on export growth sentiment in ASEAN countries
- However, the growth outlook remains benign, supported by domestic demand. Government infrastructure spending, in particular, should support growth in Indonesia, the Philippines and Thailand
- India is likely to see faster growth in 2019, supported by consumer spending. However, higher oil prices are a key global risk to India's economic outlook
- Benign inflation is likely to allow the Indian central bank to turn more dovish

#### Africa & Middle East

See our regional performance on page 28

- Africa's expected recovery in 2019 will be led by the two largest economies, Nigeria and South Africa
- Much of the region will continue to reap the benefits of an earlier turnaround in commodity prices, with oil economies finding some relief in higher oil prices
- Refinancing needs in the region will be a focus given tighter global conditions
- Commitment to IMF programmes in several countries will be crucial to maintaining investor confidence
- Middle East, North Africa and Pakistan economic recovery will remain vulnerable. We forecast that growth in the region will decelerate to 2.5 per cent in 2019
- Slowing oil output in GCC oil-exporting countries and cooling economic activity in Pakistan and Turkey – the region's fastest-growing economies – will be the biggest drags on regional growth
- External vulnerabilities have meant that Egypt, Jordan and Iraq are in IMF programmes; Pakistan is likely to follow

#### Europe & Americas

See our regional performance on page 29

- US domestic growth is likely to remain strong supported by strong labour markets and consumer spending
- However, US growth is more vulnerable now due to weaker global growth and tighter US financial conditions
- Fed communication has turned progressively more dovish and we expect the terminal Fed funds rate to peak at 3 per cent
- The euro-area economy has slowed, but we think it will start to stabilise in 2019. Trade uncertainty remains high and may weigh on sentiment in the coming months
- Concerns about Italy's fiscal position are likely to persist, especially as QE ends. While the European Central Bank has ended quantitative easing (QE), it is likely to be slow to raise rates
- Brexit negotiations will continue to dominate sentiment in the UK, with rising concerns about a hard Brexit

## Business model

# A business model built on long-term relationships

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

Developing these relationships means using our tangible and intangible resources in a sustainable and responsible manner, deploying them to achieve profit and returns.

### OUR RESOURCES

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

#### Human capital

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



85,000 employees



12,000 non-employed workers<sup>1</sup>



46% female

#### Strong brand

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

#### International network

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

#### Local expertise

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

#### Financial strength

With over \$650 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

#### Technology

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

<sup>1</sup> A non-employed worker (NEW) is an individual that is assigned or deployed to provide a service to the Bank but is not employed by the Bank. A NEW may be an agency worker, independent consultant, management consultant or outsourced worker

### WHAT MAKES US DIFFERENT

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



#### Client focus

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



#### Robust risk management

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



#### Distinct proposition

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



#### Sustainable approach to business

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

➤ For more details on how we deliver our business model, see our Strategy section on pages 16-19

## WHAT WE DELIVER

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

### Global

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

#### Corporate & Institutional Banking

#### Private Banking

### Local

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

#### Retail Banking

#### Commercial Banking

➤ See our client segment reviews on pages 21 to 24

## Products and services

### Retail Products

- ➔ Deposits
- ➔ Savings
- ➔ Mortgages
- ➔ Credit cards
- ➔ Personal loans

### Wealth Management

- ➔ Investments
- ➔ Portfolio management
- ➔ Insurance and advice
- ➔ Planning services

### Transaction Banking

- ➔ Cash management
- ➔ Payments and transactions
- ➔ Securities services
- ➔ Trade finance products

### Corporate Finance

- ➔ Structured and project financing
- ➔ Strategic advice
- ➔ Mergers and acquisitions

### Financial Markets

- ➔ Investment
- ➔ Risk management
- ➔ Debt capital markets

## Financial performance

### Income

- ➔ Net interest income
- ➔ Fee income
- ➔ Trading income

### Profits

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

### Return on tangible equity

Profit generated relative to tangible equity invested

## THE VALUE WE CREATE

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



### Clients

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



### Colleagues

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



### Investors

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



### Regulators and governments

We engage with relevant authorities to support effective functioning of the financial system and the broader economy.



### Society

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



### Suppliers

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

➤ More detail can be found in our stakeholders and responsibilities section on pages 42 to 51



## Our strategy – what we have achieved since 2015

### Update on our progress

Since our last strategy review in 2015, we have focused on securing a strong foundation, building a lean and focused business, and investing and innovating to capture growth opportunities across our footprint.

#### Secure the foundations

##### Why we have focused on this

To ensure that we have a strong capital position, with a balanced client and product portfolio, as well as a sustainable approach to risk

##### Progress in 2018

###### CET1 ratio

14.2%

(2015: 12.6%)

###### Loan loss rate

21bps

(2015: 178bps)



#### Get lean and focused

##### Why we have focused on this

To shift towards sustainable and profitable growth in returns-accretive businesses and improve productivity within our risk appetite

##### Progress in 2018

###### Risk-weighted assets

\$258bn

(2015: \$303bn)

###### Cost savings since 2015

\$3.2bn

(Target: \$2.9bn)



#### Invest and innovate

##### Why we have focused on this

To deliver better client experience and drive growth and cross-bank collaboration

##### Progress in 2018

###### Cash investment

\$1.6bn

(2015: \$0.9bn)

###### Retail Banking digital adoption

49.4%

(2015: 35.8%)



## Our strategy – the next three years

# Taking Standard Chartered to the next level

The strategic objectives we committed to in 2015 have stabilised the Group. We have learned a lot about where we are differentiated, what our clients want from us, and what we need to do to become a simpler, faster and better bank with sustainable growth and returns.

While we have made significant progress against the objectives we set out in 2015, we know that we are capable of much more. We remain focused on delivering our strategy by improving our service, delivering a differentiated proposition to our clients and stakeholders, and becoming a future-ready bank. Building on our purpose of driving commerce and prosperity through our unique diversity, we will have a particular focus on the following areas for the next three years to improve our growth and financial returns.

### OUR STRATEGIC PRIORITIES

“Our refreshed strategic priorities build on our purpose and earlier areas of focus, but mark a sharp change in the way we operate as we go from turnaround to transformation.”

**Bill Winters** Group Chief Executive



➤ Read more on pages 18 and 19

### HOW WE MEASURE PROGRESS

#### Financial KPIs

- ➔ Operating income
- ➔ Operating profit
- ➔ Profit before tax
- ➔ Return on tangible equity
- ➔ Common Equity Tier 1 ratio

➤ Read more on pages 5 and 31

#### Non-financial KPIs

- ➔ Digital adoption rate among Retail Banking clients
- ➔ Proportion of low returning client risk-weighted assets in Corporate & Institutional Banking
- ➔ Proportion of Sustainability Aspirations met or on track

➤ Read more on pages 21, 22 and 47

# Our strategic priorities

## Purpose and People

### Understand our responsibilities

We will increasingly collaborate with clients and suppliers to improve social and environmental standards. We continue to partner with regulators and other stakeholders to fight financial crime, and aim to make our risk and control approach a competitive advantage for us.

### Lead sustainable financing across emerging markets

We are maintaining our focus on supporting sustainable economic growth, expanding renewables financing and investing in sustainable infrastructure where it matters most. We will continue to facilitate the movement of capital to drive positive social and economic impact in our markets.

### Support the communities where we live and work

We promote economic inclusion in our markets through community programmes aimed at tackling inequality. We provide disadvantaged young people with opportunities to learn new skills, get job-ready and start their own business. We will continue to support the visually impaired through our community programmes.

### Maximise return from investment in our people

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

## Deliver our network

### Leverage our unique footprint

Our unique network is a long-term source of growth and sustainably higher returns. We will continue to deepen relationships with our clients to fully realise the revenue potential of our network.

We are sharpening our client focus to drive growth momentum and improve returns. We will place a particular focus on multinational corporates operating extensively in Asia, Africa and the Middle East. We will also increase our focus on investors and financial institutions that are seeking emerging market solutions.

### Build on our strength in China

We will continue connecting our clients both within and beyond China, with the aim of doubling our China-related income contribution as we benefit from China's opening. We will increasingly capture growth opportunities arising from capital market opening, RMB internationalisation, Belt & Road corporate clients, offshore Mainland Chinese wealth and the Greater Bay Area.

### Grow with Africa

We will continue to grow with our clients in Africa, focusing on capturing inbound flows of financial institutions, multinational corporations and Belt & Road clients. In a number of our markets, we will look to combine the coverage of Corporate & Institutional Banking and Commercial Banking. By rolling out our cost-efficient digital bank, developed in Côte d'Ivoire, we aim to double our Retail Banking clients in Africa in the medium term.

> See more on pages 21-29

## Grow our affluent business

### Meet the wealth needs of the affluent and emerging affluent

By continuously enhancing our offering for affluent and emerging affluent clients in markets where we have a Retail Banking presence, we aspire to be increasingly relevant for our clients and drive growth in these segments. To that end, we are investing in digitally-delivered wealth propositions that excite our clients.

### Enhance client experience with data and technology

We will increase our investment in data and analytics capabilities to generate a unique understanding of our clients and their needs, and in turn improve our offerings, deliver a personalised experience and increase client engagement.

### Scale the non-affluent segment in a targeted manner

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

> Read more on pages 22-24



## Optimise low-returning markets



### Refine our market participation

To accelerate improvements in our financial returns, we will refine the size and focus of our business in each market based on our local position and network advantages.

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

In markets where we can utilise our local and international capabilities, we will aim to improve returns through our sharpened participation in Corporate & Institutional Banking and selectively in Commercial Banking and/or Retail Banking.

In particular, we will focus on optimising the performance of four high potential markets, namely India, Indonesia, Korea and the UAE, with targeted action plans and strong execution discipline.

### Accelerate growth in our largest and most profitable markets

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

### Focus on Corporate & Institutional Banking in other markets

In markets where our capabilities are geared towards international business, we will reinforce our primary focus on originating and facilitating cross-border business. In line with this approach, our Corporate & Institutional Banking presence will continue to be expanded with a focus on serving multinational clients.

## Improve productivity



### Continue investing in productivity

Our investment in digitisation will continue to support productivity improvements and enhance client experience, building on the progress we have made in 2018. For example, we refreshed our client digital platform with unified trade and foreign exchange capabilities in Corporate & Institutional Banking. In Retail Banking we launched real-time client onboarding on digital channels and refreshed wealth and foreign exchange platforms with full mobile access.

### Organise around customer journeys

We are shaping our organisation around the journeys of our clients, to better align our processes and way of working with the needs of our clients and partners. This will enable us to drive operational improvements to scale revenue growth through improved client acquisition, conversion and retention while also delivering enhanced efficiency. This will be guided by our principles of positioning ourselves as a digital solutions partner, focusing on end-to-end digital client experience, transparent and real time service delivery, and effective and efficient decision making.

### Unlock capital and liquidity efficiency

Subject to relevant regulatory approvals, we are establishing a Hong Kong hub entity structure to further enhance capital and liquidity utilisation across the Group.

## Transform and disrupt with digital



### Transform our Retail Banking business with digital

We have made significant progress in digitising our Retail Banking business. For example, we have rolled out a full-service, cost-efficient digital bank in Côte d'Ivoire, and we have applied for a virtual bank licence in Hong Kong. Going forward, we aim to adapt and replicate these capabilities as appropriate across our footprint to enhance client experience, improve efficiency, gain market share, disrupt and build a future-proof retail bank.

### Consolidate strong position with corporate clients

We have been leading disruptive innovations in corporate banking. In 2018 we launched cross-border remittance services with Ant Financial, and started the first blockchain-based smart guarantees service in the trade finance industry.

We will continue to invest in cutting edge digital tools and new corporate banking models, with a particular focus on blockchain and distributed ledger technology, platforms and ecosystems, as well as artificial intelligence and machine learning.

➤ See case study on page 25



## GREEN LENDING

# Supporting green lending in the Middle East

As part of our commitment to sustainable finance, we're creating products and services that enable clients to improve their own sustainability performance.

In 2018, we acted as green loan coordinator on a transaction that repriced and extended a \$2 billion conventional and Murabaha (Islamic) revolving credit facility to DP World. One of our major clients in the Middle East, DP World is a leading enabler of global trade through its ports and terminals, maritime services, and industrial parks, logistics and economic zones.

The transaction team drew on global expertise from across the Standard Chartered network to develop a product that put the client's needs at the centre of the process.

Recognising DP World's ambition to be a pioneer in the region's capital markets and a leader in sustainability, we proposed the Middle East's first green loan to link pricing to the company's carbon emissions and the first with this linkage in an Islamic format. The loan provides DP World with a financial incentive to improve its environmental performance.

Aligned to our new Sustainability Philosophy, the deal demonstrates our commitment to finding innovative ways to mobilise capital to have a positive environmental and social impact in our markets.




# Corporate & Institutional Banking

## Profit before taxation

**\$2,072m**  64%

underlying basis

**\$1,675m**  70%


statutory basis

The difference of \$397 million between statutory and underlying profit primarily represents restructuring<sup>1</sup> items mainly related to the Principal Finance business.

## Risk-weighted assets

**\$129bn**  -12%

## Return on equity (RoE)

**6.8%**  285bps

underlying basis

## Return on tangible equity (RoTE)

**7.4%**  299bps

underlying basis

## KPIs



## Proportion of low returning client risk-weighted assets

**Aim:** Reduce perennial<sup>3</sup> sub-optimal risk-weighted assets and bring down the proportion of low returning client risk-weighted assets.

**Analysis:** Our perennial sub-optimal RWA has reduced 45 per cent year-on-year. The proportion of low-returning client risk-weighted assets<sup>4</sup> has increased from 15.3 per cent in 2017 to 15.5 per cent driven primarily by a larger reduction in overall RWA when compared to the reduction in sub-optimal RWA.

**15.5%**  of RWAs



## Collaboration with other client segments

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

**Analysis:** Added 157,000 new Employee Banking account sign-ups from Corporate & Institutional Banking Clients.

**157,000**  new sign-ups



## Segment overview

Corporate & Institutional Banking supports clients with their transaction banking, corporate finance, financial markets and borrowing needs across more than 60 markets, providing solutions to over 5,000 clients in some of the world's fastest-growing economies and most active trade corridors.

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

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

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

## Strategic priorities

- Deliver sustainable growth for clients by understanding their agendas, providing trusted advice and data-driven analytical insights, and strengthening our leadership in flow business
- Generate high-quality returns by driving balance sheet velocity, improving funding quality and maintaining risk controls
- Partner with clients and strategically selected third parties to expand capabilities and to address emerging client needs while driving innovation and efficiency

## Progress

- Completed on-boarding of over 100 new OECD clients, and continued to deepen relationships with existing clients
- More closely aligned the Corporate & Institutional Banking and Commercial Banking segments, generating synergies across deal origination and capital allocation
- Our momentum in developing and connecting our clients' ecosystems continues with over 81 buyers<sup>2</sup> (2017: 43) and 2,625 suppliers<sup>2</sup> (2017: 2,099) on-boarded

- Improved balance sheet quality, with investment-grade clients now representing 63 per cent of customer loans and advances (2017: 57 per cent) and high-quality operating account balances improving to 49 per cent of Transaction Banking customer balances (2017: 48 per cent)
- Co-founded the Trade Information Network which aims to be the first inclusive global multi-bank, multi-corporate network in trade finance. The network will provide clients and participants with a standardised platform driving improved financing optionality, pricing transparency and efficiency

## Performance highlights

- Underlying profit before taxation of \$2,072 million was up 64 per cent year-on-year primarily driven by higher income and lower credit impairment
- Underlying income of \$6,860 million was up 6 per cent year-on-year primarily driven by Cash Management and Financial Markets income which partially offset margin compression in Corporate Finance and Trade Finance. Good balance sheet momentum with loans and advances to customers up 11 per cent year-on-year
- RoE improved from 3.9 to 6.8 per cent and RoTE improved from 4.4 to 7.4 per cent

## CO-PARTNERING WITH ANT FINANCIAL

### Providing cross-border remittance solution

During the year, we were appointed by Ant Financial to be their core partner bank for a newly developed blockchain cross-border remittance solution to make remittances easier, cheaper and more secure. The bank played an integral role in the development of the solution. As core partner bank, we will act as the settlement bank providing instant foreign exchange rates and liquidity to enable real-time fund transfers.



Note 1: Restructuring items includes Principal Finance (\$375 million), Shipping Operating Leases (\$34 million) and other items

Note 2: Buyers: CIB clients/Suppliers: CIB clients' network of buyers/suppliers, end-customers and service providers

Note 3: Perennial sub-optimal clients are clients who have returned below 3% RoRWA for the last three years

Note 4: In 2018, the methodology for calculating the proportion of low returning client RWA was revised to include securitisation program benefits and alignment of reported RWA to that managed by the segment. As a result, prior year comparatives has been re-presented (originally stated at 16.8% and 15.6% for 2017 and 2016 respectively)



## Retail Banking

### Profit before taxation

\$1,033m ↑ 18%

underlying basis

\$965m ↑ 13%

statutory basis

The difference of \$68 million between statutory and underlying profit represents restructuring.

### Risk-weighted assets

\$43bn ↓ -3%

### Return on equity (RoE)

10.8% ↑ 163bps

underlying basis

### Return on tangible equity (RoTE)

11.8% ↑ 149bps

underlying basis

### KPIs



### Digital adoption

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

**Analysis:** Online applications have continued to grow year-on-year with the proportion of Retail Banking clients that are digital-active up from 44.7 per cent in 2017 to 49.4 per cent at the end of 2018.

49.4% ↑ number of clients



### Priority client focus

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

**Analysis:** The share of Retail Banking income from Priority clients increased from 44.8 per cent in 2017 to 47 per cent in 2018, supported by more than 100,000 new-to-bank Priority clients in the year.

47.0% ↑ share of income



### Segment overview

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

Retail Banking generates approximately one-third of the Group's operating income and one-quarter of its operating profit. We are closely integrated with the Group's other client segments; for example, offering employee banking services to Corporate & Institutional Banking clients, and Retail Banking provides a high-quality liquidity source for the Group.

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

### Strategic priorities

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

### Progress

- Increased the share of income from Priority clients from 45 per cent in 2017 to 47 per cent as a result of strong Wealth Management and Deposit income growth and increasing client numbers
- Launched the first digital-only bank in Côte d'Ivoire with a plan to roll out across other markets in the Africa & Middle East region and develop stand-alone digital banking propositions in key markets in Asia
- Launched real time on-boarding in India, enabling straight-through current and savings account opening and more efficient Credit Cards and Personal Loan applications with significantly improved customer experience

- Launched Premium Banking in eight markets
- A further improvement in digital adoption, with 49 per cent of clients now actively using online or mobile banking compared to 45 per cent in 2017

### Performance highlights

- Underlying profit before taxation of \$1,033 million was up 18 per cent year-on-year as income growth and lower credit impairment more than offset increased expenses
- Underlying income of \$5,041 million was up 4 per cent year-on-year with growth of 8 per cent in Greater China & North Asia, and 4 per cent in ASEAN & South Asia, partially offsetting a 6 per cent decline in Africa & Middle East
- Strong income momentum from Deposits with improved margins and balance growth together with growth in Wealth Management, particularly in the first half of the year. Together, Deposits and Wealth Management income, representing 61 per cent of Retail Banking income, grew 15 per cent year on year
- RoE improved from 9.2 to 10.8 per cent and RoTE improved from 10.3 to 11.8 per cent

### UNDERSTANDING CLIENTS' BANKING NEEDS

## Building relationships through technology

We are thoughtfully and consistently investing in digital capabilities to enhance our products and services, drive end-to-end process improvements and increase the ability of our clients to self-serve their needs. This investment has resulted in our new voice recognition platforms and cross-border payment options on mobile and tablet devices for clients who need to bank anytime, anywhere. Every innovation is based on insights: we spend time getting to know our clients and understanding their banking needs and financial goals.




# Commercial Banking

## Profit before taxation

**\$224m**  -21%

underlying basis

**\$212m**  -21%

statutory basis

The difference of \$12 million between statutory and underlying profit represents restructuring.

## Risk-weighted assets


**\$30bn**  -8%

## Return on equity (RoE)

**3.1%**  -79bps

underlying basis

## Return on tangible equity (RoTE)

**3.4%**  -98bps

underlying basis

## KPIs

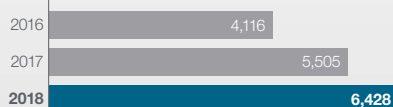


### New-to-bank clients

**Aim:** Build scale by on-boarding new clients and bank our clients' networks of suppliers and buyers.

**Analysis:** We have on-boarded over 6,400 new clients in 2018, a 17 per cent increase year-on-year. New-to-Bank clients onboarded in 2018 generated \$64m of income, primarily cash and FX, and \$2bn additional cash liabilities.

**6,428**  of clients



### Reshaping income mix

**Aim:** Reshape the income mix towards capital-lite<sup>2</sup> products.

**Analysis:** Share of cash and FX income increased from 37 per cent of total income in 2016 to 44 per cent in 2018. We have set up dedicated liabilities teams in key markets and continue to focus on cash rich sectors, cash-only non-borrowing clients and FX cross-sell opportunities.

**43.7%**  of income



## Segment overview

Commercial Banking serves over 45,000 local corporations and medium-sized enterprises in 26 markets across Asia, Africa and the Middle East. We aim to be our clients' main international bank, providing a full range of international financial solutions in areas such as Trade Finance, Cash Management, Financial Markets and Corporate Finance.

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

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

## Strategic priorities

- Drive quality sustainable growth by deepening relationships with existing clients and on-boarding new clients, focusing on rapidly growing and internationalising companies
- Improve balance sheet and income mix, accelerating cash and FX growth
- Continue to enhance capital allocation discipline and credit risk management
- Improve client experience, leveraging technology and investing in frontline training, tools and analytics

- Increased Straight2Bank utilisation by Commercial Banking active clients from 52 per cent in 2017 to 58 per cent in 2018
- Rolled out new digital platform to empower frontline staff with client analytics and data-driven insights into our clients' needs

## Performance highlights

- Underlying profit before taxation of \$224 million was down 21 per cent year-on-year due to higher credit impairments in Africa & Middle East
- Underlying income of \$1,391 million was up 4 per cent year-on-year mainly driven by growth from Cash. Income was up 11 per cent in Greater China & North Asia and up 4 per cent in ASEAN & South Asia, partially offsetting a 6 per cent decline in Africa & Middle East
- RoE declined from 3.9 to 3.1 per cent and RoTE declined from 4.4 to 3.4 per cent

## Progress

- On-boarded over 6,400 new clients in 2018, of which 19 per cent came from our clients' international and domestic networks of buyers and suppliers
- Increased share of income from cash and FX products to 44 per cent (up from 39 per cent in 2017)
- Strengthened foundations in credit risk management and improved asset quality, with RWA<sup>1</sup> efficiency improving from 78 per cent in 2017 to 74 per cent in 2018. However, gross credit impairments remain elevated, partially offset by recoveries

## IMPROVING CLIENT EXPERIENCE

### Reducing client on-boarding turnaround time

We have seen significant improvements in our clients' satisfaction, as measured by our intelligence surveys. Our clients tell us these improvements were driven by faster and simpler documentation and account opening, more localised and faster decision-making and digitisation of our platforms. We remain focused on improving client experience, simplifying, automating and digitising our processes. We have reduced client on-boarding turnaround time by 67 percent and significantly improved credit turnaround time by 20 per cent from 2016 to 2018 respectively.



Note 1: Includes contingent liabilities

Note 2: Comprises of income from products with low RWA consumption or products which are non-funding in nature

## Private Banking

### Profit before taxation

**\$(14)m** nm  
underlying basis

**\$(38)m** nm  
statutory basis

The difference of \$24 million between statutory and underlying loss represents restructuring.

### Risk-weighted assets

**\$6bn** ↓ -1%

### Return on equity (RoE)

**(1.0)%** ↓ -90bps  
underlying basis

### Return on tangible equity (RoTE)

**(1.0)%** ↓ -97bps  
underlying basis

### KPIs

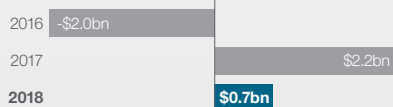


### Net new money

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

**Analysis:** We added \$0.7bn of net new money in 2018, delivering positive inflows for the second consecutive year.

**\$0.7bn** ↑ of net new money

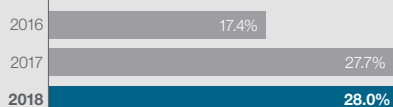


### Net client score for ease of doing business

**Aim:** Holistically improve the Private Banking client experience through all touch points with the Group.

**Analysis:** Launched in 2016, the annual Private Banking client satisfaction survey reviews multiple dimensions of client sentiment and measures our progress in putting client needs at the heart of everything we do. In 2018, 28 per cent of clients rated us very easy to do business which was consistent with 2017.

**28.0%** ↑ more clients



### Segment overview

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

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

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

### 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

- Targeted marketing of our investment philosophy and advisory capabilities which are both focused on mitigating biases in clients' investment decisions, in order to continue our shift towards clients with more than \$5 million in assets under management
- Leveraged our new open architecture platforms for Equity Structured Products, Fixed Income and FX/FX Derivatives to significantly enhance trading activity and simplified critical processes to reduce client transaction time
- Continued investments in building a senior team of frontline relationship managers across our markets

- Strengthened our client position through the referrals programme to and from Commercial and Corporate & Institutional Banking

### Performance highlights

- Private Banking generated an underlying income of \$516 million which was up 3 per cent year-on-year, making a second consecutive year of top line growth in our third year of transformation. The income growth was mainly driven by improved product margins across Retail Deposits and Wealth Lending and higher Managed Investment income. Wealth Management and Retail Products income were up 2 per cent and 5 per cent respectively
- There was an underlying loss before taxation of \$14 million however, compared with a loss of \$1 million in the prior period, due to non-recurrence of cost provision release in the prior year (\$10 million) and an increase in largely one-off costs including a regulatory fine (\$5 million)
- Assets under management decreased \$5 billion or 8 per cent from 31 December 2017, mainly impacted by negative market movements, offsetting net new money growth of \$0.7 billion during the year
- RoE and RoTE declined from (0.1) to (1.0) per cent

### DELIVERING DIFFERENTIATED ADVANTAGE

## Offering leading edge platforms to our clients

At Standard Chartered we consistently strive to enhance client experience. In 2018, we launched FXDConnect – FX Derivatives Pricing and Execution System for private bank, which completes our Connect Suite covering all major asset classes. This further streamlines processes, provides market pricing across a range of counterparties and increases speed of delivery to clients. Our Connect Suite is market-leading in terms of open architecture price discovery and order management capabilities, allowing our clients to capture more trading opportunities.







## DIGITAL AND INNOVATION

# Our first digital-only bank in Africa

Increased prosperity has made Sub-Saharan Africa's population more financially savvy, with many looking for new and easy ways to handle their money. This is why, in March 2018, we launched our first digital-only bank in Côte d'Ivoire.

### Côte d'Ivoire has led the way in the adoption of digital financial transactions in West Africa

This is a reflection of its ongoing economic transformation. Mobile money account usage stands at 34 per cent of all adults – among the highest in West Africa – demonstrating that the population is opting to use mobile money accounts as opposed to traditional financial institutions.

As part of our offering in Côte d'Ivoire, we have digitised over 70 of the most popular banking services, including account openings. Customers can open a new account entirely through our app anytime, anywhere – from the comfort of their own home or while on the road.

We expect Côte d'Ivoire bank account take-up – led by digital – to rise rapidly over the next five years, with the country poised to act as a digital banking catalyst for the wider region, just as Kenya sparked East Africa's mobile money revolution a decade ago.





## OPPORTUNITIES IN THE GREATER BAY AREA

### Positioned to serve clients

The Greater Bay Area (GBA) represents a significant urban cluster being developed in southern China which includes Hong Kong, Macau and the nine most developed cities in Guangdong province. GBA has a population of 68 million with GDP of \$1.5 trillion which is 12 per cent of China's economy. Its development is supported by significant infrastructure projects, including a high-speed train link between Hong Kong and China and the longest sea bridge in the world linking Hong Kong, China (Zhuhai) and Macau. As a leading bank in Hong Kong, we are uniquely positioned to provide our clients' access to GBA cities and are developing capabilities to serve this exciting region.

## Greater China & North Asia

### Profit before taxation

**\$2,369m** ↑ 22%

underlying basis

**\$2,263m** ↑ 14%

statutory basis

The difference of \$106 million between statutory and underlying profit represents restructuring.

### Risk-weighted assets

**\$81bn** ↓ -4%

### Loans and advances to customers



### Income split by key markets



### Region overview

Greater China & North Asia generated the largest share of the Group's income in 2018, at 41 per cent, and includes our clients in Hong Kong, Korea, China, Taiwan, Japan and Macau. Of these, Hong Kong remains the Group's largest market, underpinned by a diversified franchise and deeply rooted presence.

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

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

### Strategic priorities

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

### Progress

- We have been active 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
- Good progress in Retail Banking in Hong Kong. We attracted more than 51,000 new Priority clients during the year and increased our active qualified Priority clients by 11 per cent
- In August, we applied for a virtual bank licence in Hong Kong and have been working to develop a strong platform and client proposition
- We have delivered a small profit in Retail Banking Korea and refreshed the strategic agenda in Retail Banking China where performance remained broadly flat

### Performance highlights

- Underlying profit before taxation of \$2,369 million was 22 per cent higher year-on-year with income growth and lower credit impairment partially offset by increased expenses as we continued to invest
- Underlying income of \$6,157 million was 10 per cent higher year-on-year, with broad-based growth across all markets and client segments particularly in Hong Kong and China. Retail Banking income grew 8 per cent and Private Banking was up 13 per cent year-on-year, driven by Wealth Management and Deposits with improving margins and strong balance sheet growth. Corporate & Institutional Banking and Commercial Banking income grew 12 per cent and 11 per cent year-on-year respectively driven by strong Cash Management and Corporate Finance
- Balance sheet momentum was sustained with loans and advances to customers up 3 per cent and customer accounts up 6 per cent year-on-year





## COLLABORATION WITH NTUC INCOME

### Innovating e-claims process

Standard Chartered closely collaborated with NTUC Income Insurance Co-operative Limited, one of Singapore's largest insurance providers, to develop a real-time Application Programme Interface (API) payments solution to support the e-claims process of the company's new innovative product Droplet via PayNow. This is Singapore's first insurance product that protects consumers against unpredictable surge pricing on ride-hailing platforms when it rains. With this capability, NTUC Income was able to successfully reduce the turnaround time of claims processing and reimbursements for policyholders of Droplet and provide customers with a seamless digital journey from purchase to claim.

## ASEAN & South Asia

### Profit before taxation

**\$970m** ↑ 97%

underlying basis

**\$1,075m** ↑ 207%

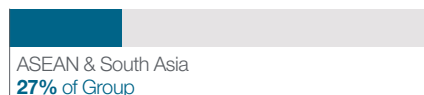
statutory basis

The difference of \$105 million between statutory and underlying profit represents restructuring.

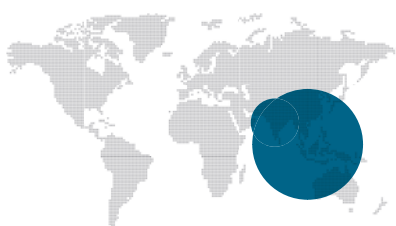
### Risk-weighted assets

**\$88bn** ↓ -9%

### Loans and advances to customers



### Income split by key markets



### Region overview

The Group has a long-standing and deep franchise across the ASEAN & South Asia region. We are the only international bank with a presence in all 10 ASEAN countries and have meaningful operations across many key South Asian markets – which is a key component of our international offering to corporate and institutional clients. The two markets in the region contributing the highest income are Singapore and India, where we have deep-rooted presence for more than 160 years.

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

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

### Strategic priorities

- Deliver comprehensive client propositions in larger markets and a targeted offering in smaller, high-growth markets; invest in technology and digital capabilities to build scale and offer best-in-class client experience
- Support clients' cross-border activities and expansions building on the ASEAN corridor (intra-ASEAN, ASEAN-China, ASEAN-India) and leverage the strength of our international network in Asia, Africa and the Middle East
- Deploy cost and capital to higher returning businesses and reshape sub-scale and unprofitable ones

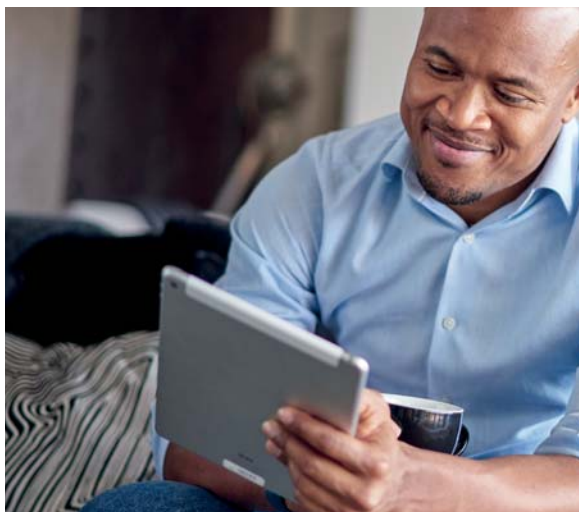
### Progress

- Eight out of 12 markets grew in both income and operating profit, reflecting the actions taken to deliver broad-based growth
- Delivered strong growth in targeted client segments – we added 10,000 Priority Banking clients, 2,000 Commercial Banking clients; Global Subsidiary and Priority Banking income grew strongly

- Shift to capital-lite business making progress – Retail Banking and Transaction Banking current accounts and savings accounts (CASA) income grew double-digit and risk-weighted assets reduced by 9 per cent. As a result, over 50 per cent of our income was from capital-lite products
- Launched market-leading digital capabilities to drive a better client experience, including real-time on-boarding in India and Retail Banking digital journeys in Singapore, India and Malaysia

### Performance highlights

- Underlying profit before taxation almost doubled year-on-year to \$970 million, underpinned by 4 per cent income growth, costs up 2 per cent and 51 per cent lower credit impairments from improved credit quality and recoveries
- Underlying income of \$3,971 million is 4 per cent higher year-on-year, with income growth in Retail Banking, Corporate & Institutional Banking and Commercial Banking offsetting an income decline in Private Banking which was impacted by slower market activity
- Risk-weighted assets declined by 9 per cent year-on-year as we improved the asset quality mix; customer deposits were up 2 per cent, customer loans and advances declined 1 per cent year-on-year mainly in mortgages



## DIGITAL TRANSFORMATION

## Launched digital banking

We are well on course with our digital transformation agenda in Retail Banking. At the end of Q1 2018, we launched our first digital bank in Côte d'Ivoire which was set up as our live laboratory for digital innovation. Since then, clients have opened more than 10,000 accounts with 65 per cent of these clients demographically below the age of 35. This initiative will be rolled out to other markets in 2019.

## Africa &amp; Middle East

## Profit before taxation

**\$532m** ↓ -17%

underlying basis

**\$432m** ↓ -29%

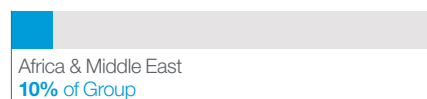
statutory basis

The difference of \$100 million between statutory and underlying profit represents restructuring.

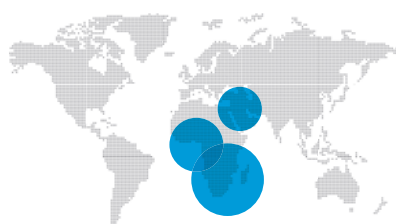
## Risk-weighted assets

**\$53bn** ↓ -6%

## Loans and advances to customers



## Income split by key markets



## Region overview

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

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

Macroeconomic and geopolitical headwinds in 2018 impacted income momentum across both the Middle East and Africa; however, we remain confident that the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies.

## Strategic priorities

- Continue to provide best-in-class structuring and financing solutions and drive origination through client initiatives
- 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

- After a successful launch of a digital-only bank in Côte d'Ivoire in the first half of 2018, we are extending this to other markets in Africa
- Despite geopolitical and macroeconomic headwinds, enhanced risk profile and tighter underwriting standards led to lower credit impairments year-on-year
- Cost efficiencies have allowed investments to continue through the cycle

## Performance highlights

- Underlying profit before taxation of \$532 million was down 17 per cent year-on-year driven by lower income partially offset by credit impairment with expenses largely flat. Good performance in East Africa and Saudi Arabia with underperformance in West Africa, Southern Africa and the UAE
- Underlying income of \$2,604 million was down 6 per cent year-on-year due to macro and geopolitical headwinds and material currency devaluation in some of our markets. Middle East, North Africa and Pakistan were 6 per cent lower and Africa was down 5 per cent. Transaction Banking and Wealth Management income was largely flat, Financial Markets income declined due to lower volatility while Corporate Finance and Retail products reported an income decline year-on-year with lower margins more than offsetting volume growth
- Credit impairment was down \$38 million year-on-year driven by improved risk profile through tighter underwriting standards
- Loans and advances to customers were up 1 per cent year-on-year and customer accounts declined 6 per cent





## LEVERAGING OUR NETWORK

### Promoting trade

Standard Chartered successfully closed an up to \$1.5 billion Syndicated Subscription Financing facility for a major Financial Institution client's investment fund. The fund will target \$5 billion in commitments with a broad mandate to invest in American companies that have or can develop a material business connection to China. Standard Chartered was selected as co-lead arranger for our expertise in China markets coupled with our knowledge of and our strong relationships with large Chinese institutional investors, a long track record with our FI client, and our product expertise and leading role in the US Subscription Finance market.

## Europe & Americas

### Profit before taxation

**\$154m** ↑ 117%

underlying basis

**\$99m** ↑ 115%

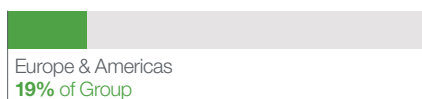
statutory basis

The difference of \$55 million between statutory and underlying profit primarily represents regulatory provisions.

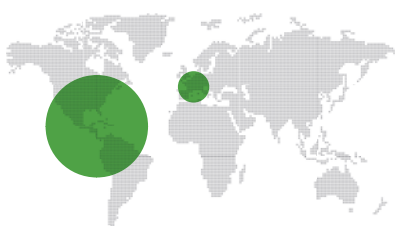
### Risk-weighted assets

**\$41bn** ↓ -9%

### Loans and advances to customers



### Income split by key markets



### Region overview

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

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

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

### Strategic priorities

- Continue to attract new international corporate and financial institutional clients and deepen relationships with existing and new clients by banking them across more markets in our network
- Scale up our continental European business
- 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

- Good progress in improving the share of business from targeted multinational corporate clients, with income up 48 per cent and 9 per cent from 'New 90' OECD and 'Next 100' client initiatives respectively
- Continued to diversify and selectively expand our client base in the region
- Delivered high returns through improved quality of income combined with risk-weighted assets optimisation

- Continued to improve the quality of our funding base by increasing the proportion of operating account liabilities relative to our balance sheet size
- Set up a new subsidiary in Frankfurt to continue to serve our European client base whether or not the UK leaves the EU

### Performance highlights

- Underlying profit before taxation of \$154 million more than doubled year-on-year from continued growth in income and lower credit impairments driven by an improvement in underlying credit quality. Expenses grew 3 per cent as investments in platforms and people were offset by lower regulatory expense
- Underlying income of \$1,670 million was up 4 per cent year-on-year driven by strong momentum in Transaction Banking and Private Banking
- Income growth was broad-based with a number of markets growing at a double-digit rate and income generated by our clients, but booked elsewhere in the network, increased 8 per cent in 2018
- Loans and advances to customers were up 22 per cent year-on-year and customer accounts grew 16 per cent

## Group Chief Financial Officer's review

# Significant improvement on a fundamentally more resilient platform

### Performance summary

The Group grew income in 2018 at a faster rate than costs while maintaining discipline over the quality of new asset origination. Together with lower risk-weighted assets, this has resulted in another significant improvement in returns on a fundamentally more resilient platform.

All commentary that follows is on an underlying basis unless otherwise stated and a reconciliation to statutory is provided in Note 2 on page 244. Comparisons are made to the full-year 2017 unless otherwise stated.

- Profit before tax of \$3.9 billion was 28 per cent higher. Statutory profit before tax, which is stated after regulatory provisions and restructuring and other items of \$1.3 billion, rose 6 per cent
- Operating income of \$15.0 billion grew 5 per cent. A strong performance in Transaction Banking, good growth in Retail Products and slightly lower growth in Wealth Management and Financial Markets more than offset lower income in Corporate Finance
- The Group's net interest margin increased to 1.58 per cent and remained stable in the fourth quarter
- Operating expenses excluding the UK bank levy of \$10.1 billion were up 2 per cent. Continued discipline on costs has enabled significant investment into improving the business with a greater proportion targeted at technology-enabled productivity improvements
- Credit impairment of \$740 million was lower by 38 per cent reflecting the focus on higher-quality origination within tightened risk tolerances
- Other impairment of \$148 million related primarily to transport leasing assets. The Group has taken the decision to discontinue its ship leasing business and future profit and losses associated with the related portfolio will be reported as restructuring
- Profit from associates and joint ventures of \$241 million was 15 per cent higher following a return to profitability of the Group's joint venture in Indonesia
- The Group has made a \$900 million provision in respect of legacy financial crime control matters and FX trading issues
- Restructuring and other items of \$409 million relate primarily to Principal Finance and included charges in the fourth quarter of \$158 million, following the announced sale of the majority of the Group's related investment portfolios, and \$169 million related to the refreshed priorities announced today
- The underlying effective tax rate excluding the impact of tax on regulatory provisions, restructuring and other normalised items was 34.6 per cent compared to 32.0 per cent in 2017
- The Group's Common Equity Tier 1 (CET1) ratio increased 60 basis points to 14.2 per cent, just above the Group's updated target range of 13-14 per cent
- The Group's return on equity improved 110 basis points to 4.6 per cent and return on tangible equity improved 120 basis points to 5.1 per cent
- The improved performance and strong capital position underpins the Board's decision to recommend a final dividend of 15 cents per ordinary share, a 36 per cent increase. This takes the full-year 2018 ordinary dividend to 21 cents per share



**Andy Halford**  
Group Chief Financial Officer

	31.12.18 \$million	31.12.17 \$million	Better/(worse) %
Net interest income	8,840	8,216	8
Other income	6,128	6,073	1
<b>Operating income</b>	<b>14,968</b>	14,289	5
Operating expenses excluding the UK bank levy	(10,140)	(9,900)	(2)
The UK bank levy	(324)	(220)	(47)
<b>Operating expenses</b>	<b>(10,464)</b>	(10,120)	(3)
<b>Operating profit before impairment and taxation</b>	<b>4,504</b>	4,169	8
Credit impairment	(740)	(1,200)	38
Other impairment	(148)	(169)	12
Profit from associates and joint ventures	241	210	15
<b>Underlying profit before taxation</b>	<b>3,857</b>	3,010	28
Provision for regulatory matters	(900)	–	nm
Restructuring and other items	(409)	(595)	31
<b>Statutory profit before taxation</b>	<b>2,548</b>	2,415	6
Taxation	(1,439)	(1,147)	(25)
<b>Profit for the year</b>	<b>1,109</b>	1,268	(13)
Net interest margin (%)	1.58	1.55	
Underlying return on equity (%)	4.6	3.5	
Underlying return on tangible equity (%)	5.1	3.9	
Statutory return on equity (%)	1.4	1.7	
Statutory return on tangible equity (%)	1.6	2.0	
Underlying earnings per share (cents)	61.4	47.2	
Earnings per share (cents)	18.7	23.5	
Dividend per share (cents)	21.0	11.0	
Common Equity Tier 1 (%)	14.2	13.6	

## Income

Operating income growth of 5 per cent was in line with the Group's medium-term target range with all client segments and all regions contributing positively, with the exception of the Africa & Middle East region that was impacted by challenging economic conditions generally and local currency devaluation.

Net interest income grew 8 per cent with sustained momentum in Cash Management and Deposits more than offsetting the impact of asset margin compression. Wealth Management income grew 3 per cent but weaker investor sentiment in the fourth quarter resulted in 14 per cent lower income compared to the same period in 2017.

- Corporate & Institutional Banking income was 6 per cent higher after a resilient fourth quarter performance, including in Financial Markets. The focus on high-quality operating accounts and the benefit of rising global interest rates resulted in a 22 per cent increase in income from Cash Management and Custody that more than offset the impact of asset margin compression in Corporate Finance and Trade Finance
- Retail Banking income was up 4 per cent driven by 8 per cent growth in Greater China & North Asia and 4 per cent growth in ASEAN & South Asia, that together offset lower income in Africa & Middle East. Although income was slightly lower in the fourth quarter the business continues to increase the proportion of income it generates from serving affluent and emerging affluent clients

- Commercial Banking income was up 4 per cent. Income in Greater China & North Asia and ASEAN & South Asia grew 11 per cent and 4 per cent respectively. Together this offset 6 per cent lower income from Africa & Middle East
- Private Banking attracted \$0.7 billion net new money and income was 3 per cent higher with growth across all products
- Income in Central & other items (segment) was 3 per cent higher as Treasury income benefited from rises in global interest rates

## Group Chief Financial Officer's review continued

### Performance summary continued

- Income from Greater China & North Asia increased 10 per cent with broad-based improvement across all markets and client segments, particularly in Hong Kong and China
- Income from ASEAN & South Asia was 4 per cent higher with growth in most markets, particularly in Singapore where income was up 9 per cent. Excluding one-off Treasury gains from the prior period, income in India was broadly stable
- Income from Africa & Middle East was 6 per cent lower and 3 per cent lower on a constant currency basis as macroeconomic conditions in the region remained challenging
- Europe & Americas income grew 4 per cent with 10 per cent higher income in the UK, where a greater proportion is derived from corporate clients, more than offsetting 1 per cent lower income in the US

#### Expenses

Operating expenses excluding the UK bank levy were slightly lower half-on-half and up 2 per cent year-on-year, generating 3 per cent positive income-to-cost operating leverage (jaws). Increases were driven by new investments in people and technology as well as the amortisation of investments made in prior years. The Group will continue to maintain tight control of costs to enable cash investment at a similar elevated rate with a growing proportion into technology-enabled initiatives to deliver improvements in productivity. As a result, it is expected that expenses between 2019 and 2021 will continue to grow below the rate of inflation with a target to deliver significantly positive jaws.

#### Impairment

Credit impairment of \$740 million was 38 per cent lower, driven by a significant reduction in impairment in Corporate & Institutional Banking that reflects the continued focus on high-quality new origination. This was partially offset by an increase in Commercial Banking, primarily due to a small number of exposures in the Middle East.

Other impairment of \$148 million related primarily to transport leasing assets.

#### Profit from associates and joint ventures

Profit from associates and joint ventures of \$241 million reflected a return to underlying profitability of the Group's joint venture in Indonesia.

#### Overall

As a result, profit before tax of \$3.9 billion was 28 per cent higher and statutory profit before tax of \$2.5 billion, which is stated after regulatory provisions, restructuring and other items, was 6 per cent higher.

	31.12.18 \$million	31.12.17 \$million	Better/(worse) %
Corporate & Institutional Banking	<b>2,072</b>	1,261	64
Retail Banking	<b>1,033</b>	873	18
Commercial Banking	<b>224</b>	282	(21)
Private Banking	<b>(14)</b>	(1)	nm
Central & other items	<b>542</b>	595	(9)
<b>Underlying profit before tax</b>	<b>3,857</b>	3,010	28

	31.12.18 \$million	31.12.17 \$million	Better/(worse) %
Greater China & North Asia	<b>2,369</b>	1,942	22
ASEAN & South Asia	<b>970</b>	492	97
Africa & Middle East	<b>532</b>	642	(17)
Europe & Americas	<b>154</b>	71	nm
Central & other items	<b>(168)</b>	(137)	(23)
<b>Underlying profit before tax</b>	<b>3,857</b>	3,010	28

#### Net interest margin

The Group's net interest margin is calculated on a statutory basis. Statutory net interest income grew 7 per cent to \$8.8 billion and the Group's net interest margin increased 3 basis points to 1.58 per cent. Rises in global interest rates have benefited asset yields and interest-earning assets have grown faster than interest-bearing liabilities. Together this offset an increase in the rate paid on liabilities particularly in markets like India and China where the Group has a higher proportion of more rate-sensitive customer deposits.

As interest rates rose there was a greater propensity among some clients to switch to higher rate time deposits that, coupled with competitive pressures on asset yields, resulted in net interest income growing more slowly in the second half. This switching however was not evident in the fourth quarter.

The Group maintains a large proportion of less rate-sensitive current accounts and savings deposits that since 2017 have increased 139 basis points to 32 per cent of total average liabilities. The Group is executing a number of operational initiatives and planned legal entity changes to further improve the mix of liabilities and expects to continue to benefit from rises in global interest rates as monetary policy normalises, albeit at a reducing rate as the rate-hike cycle matures.



	31.12.18 \$million	31.12.17 \$million
Statutory net interest income	8,793	8,181
Average interest-earning assets	558,135	527,691
Average interest-bearing liabilities	484,068	475,432
Gross yield (%)	3.09	2.74
Rate paid (%)	1.75	1.32
Net yield (%)	1.34	1.42
Net interest margin (%) <sup>1</sup>	1.58	1.55

1 Statutory net interest income divided by average interest-earning assets

## Credit quality

Continued focus on high-quality origination within a more granular risk appetite has enabled sustained improvements in credit quality in 2018 and resulted in a balance sheet that is significantly more resilient. This is evidenced by the increase in exposure to investment grade clients from 57 per cent to 62 per cent.

The Group remains alert to broader geopolitical uncertainties and performs regular reviews and stress tests to identify early signs of emerging risks.

IFRS 9 became effective from 1 January 2018 and the Group has not restated comparative information. Accordingly, comparisons are made to balances as at

1 January 2018. This primarily impacts credit impairment, which is determined using an expected credit loss approach under IFRS 9 compared with an incurred loss approach under IAS 39.

### Ongoing business

Gross credit-impaired (stage 3) loans in the ongoing business of \$5.6 billion were \$894 million lower. A lower level of new inflows, particularly in Corporate & Institutional Banking, as well as debt sales, write-offs and repayments more than offset higher inflows of Commercial Banking exposures that had been on early alert for some time. The cover ratio of stage 3 loans in the ongoing business remained stable both

before and after collateral, credit grade 12 accounts were broadly unchanged at \$1.4 billion and early alerts were down \$3.9 billion or 45 per cent.

### Liquidation portfolio

Gross loans and advances in the liquidation portfolio were lower by \$887 million reflecting further significant progress made exiting these exposures since 2015. The remaining \$1.4 billion gross loans and advances are 93 per cent covered after collateral. Recognising that the Group has substantially completed the run-down of this portfolio it will be reported in underlying performance in 2019.

	31.12.18 \$million			01.01.18 \$million		
	Ongoing business	Liquidation portfolio	Total	Ongoing business	Liquidation portfolio	Total
Gross loans and advances to customers <sup>1</sup>	260,094	1,361	261,455	255,589	2,248	257,837
Of which stage 1 and 2	254,445	86	254,531	249,046	22	249,068
Of which stage 3	5,649	1,275	6,924	6,543	2,226	8,769
Expected credit loss provisions	(3,932)	(966)	(4,898)	(4,704)	(1,626)	(6,330)
Of which stage 1 and 2	(838)	(4)	(842)	(1,048)	–	(1,048)
Of which stage 3	(3,094)	(962)	(4,056)	(3,656)	(1,626)	(5,282)
Net loans and advances to customers	256,162	395	256,557	250,885	622	251,507
Of which stage 1 and 2	253,607	82	253,689	247,998	22	248,020
Of which stage 3	2,555	313	2,868	2,887	600	3,487
Cover ratio of stage 3 before collateral (%)	55	75	59	56	73	60
Cover ratio of stage 3 after collateral (%)	78	93	81	78	88	81
Credit grade 12 accounts (\$million)	1,437	86	1,523	1,483	22	1,505
Early alerts (\$million)	4,767	–	4,767	8,668	–	8,668
Investment grade corporate exposures (%)	62	–	62	57	–	57

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$3,151 million at 31.12.18 and \$4,566 million at 01.01.18

## Group Chief Financial Officer's review continued

### Restructuring and other items

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 performance period-by-period.

The Group has made a provision of \$900 million for potential penalties relating to previously disclosed matters, namely, the US investigation into historical violation of sanctions laws and regulations, the decision

notice from the Financial Conduct Authority concerning the Group's historical financial crime controls, and investigations related to foreign exchange trading issues. Further details of these and other legal and regulatory matters can be found in Note 26 on page 305.

Restructuring charges of \$478 million related primarily to Principal Finance and included a \$158 million charge following the announced agreement to sell the majority of the business's related investment portfolio. The total restructuring charge arising from the Group's planned actions announced in 2015 totalled \$3.4 billion.

As well as the fourth quarter restructuring charge related to Principal Finance the Group has as a result of the refreshed strategic priorities announced today incurred a \$124 million expense to reduce ongoing costs and \$34 million other impairment related to the decision to discontinue the ship leasing business. The Group expects to incur a further \$500 million of restructuring charges over the next three years in order to execute the refreshed priorities.

Following the Group's decision that its joint venture investment in PT Bank Permata Tbk is no longer core, profits related to it will in 2019 be reported in restructuring.

	31.12.18 \$million			31.12.17 \$million	
	Provision for regulatory matters	Restructuring	Other items	Restructuring	Other items
Operating income	–	(248)	69	58	78
Operating expenses	(900)	(283)	–	(297)	–
Credit impairment	–	87	–	(162)	–
Other impairment	–	(34)	–	(10)	(320)
Profit from associates and joint ventures	–	–	–	58	–
<b>Profit/(loss) before taxation</b>	<b>(900)</b>	<b>(478)</b>	<b>69</b>	<b>(353)</b>	<b>(242)</b>

### Balance sheet and liquidity

The Group's balance sheet is strong, highly liquid and diversified.

Loans and advances to customers were up 2 per cent to \$257 billion with broad-based growth across a range of products.

Customer accounts were up 6 per cent as the Group continued to focus on improving the quality and mix of its liabilities.

The advances-to-deposits ratio decreased slightly to 65 per cent.

As a result of classification and measurement of financial assets under IFRS 9, \$45 billion of reverse repurchase agreement assets and \$38 billion of repurchase agreement liabilities were on 1 January 2018 reclassified as financial assets held at fair value through profit or loss. Further details are provided in Note 13 to the financial statements.

	IFRS 9 31.12.18 \$million	IFRS 9 01.01.18 \$million	IAS 39 31.12.17 \$million	31.12.18 vs 01.01.18 Increase/ (decrease) %	31.12.18 vs 31.12.17 Increase/ (decrease) %
<b>Assets</b>					
Loans and advances to banks <sup>1</sup>	61,414	62,295	78,188	(1)	(21)
Loans and advances to customers <sup>1</sup>	256,557	251,507	282,288	2	(9)
Other assets	370,791	348,963	303,025	6	22
<b>Total assets</b>	<b>688,762</b>	<b>662,765</b>	<b>663,501</b>	<b>4</b>	<b>4</b>
<b>Liabilities</b>					
Deposits by banks	29,715	30,945	30,945	(4)	(4)
Customer accounts	391,013	370,509	370,509	6	6
Other liabilities	217,682	210,365	210,240	3	4
<b>Total liabilities</b>	<b>638,410</b>	<b>611,819</b>	<b>611,694</b>	<b>4</b>	<b>4</b>
<b>Equity</b>	<b>50,352</b>	<b>50,946</b>	<b>51,807</b>	<b>(1)</b>	<b>(3)</b>
<b>Total equity and liabilities</b>	<b>688,762</b>	<b>662,765</b>	<b>663,501</b>	<b>4</b>	<b>4</b>
Advances-to-deposits ratio <sup>2</sup>	65%		67%		
Liquidity coverage ratio	154%		146%		

1 Includes reverse repurchase agreements and other similar secured lending balances held at amortised cost

2 Excludes reverse repurchase and repurchase agreements and other similar secured lending and borrowing balances

## Risk-weighted assets by business and type

Since 31 December 2017, total risk-weighted assets (RWA) reduced by 8 per cent or \$21.5 billion. On a constant currency basis RWAs were 5 per cent or \$15.6 billion lower.

Credit Risk RWA was \$15.1 billion lower or \$9.4 billion on a constant currency basis with decreases primarily in Corporate &

Institutional Banking due to net positive credit migration and ongoing RWA efficiency actions.

Market Risk RWA decreased by \$3.9 billion due primarily to reduced trading book debt security holdings and changes to models.

Operational Risk RWA was \$2.4 billion lower due to a decrease in the average income over a rolling three-year time horizon, as lower 2017 income replaced higher 2014 income.

	31.12.18 \$million	31.12.17 \$million	Increase/(decrease) \$million	Increase/(decrease) %
<b>By client segment</b>				
Corporate & Institutional Banking	128,991	147,102	(18,111)	(12)
Retail Banking	42,903	44,106	(1,203)	(3)
Commercial Banking	30,481	33,068	(2,587)	(8)
Private Banking	5,861	5,943	(82)	(1)
Central & other items	50,061	49,529	532	1
<b>Total risk-weighted assets</b>	<b>258,297</b>	<b>279,748</b>	<b>(21,451)</b>	<b>(8)</b>
<b>By risk type</b>				
Credit Risk	211,138	226,230	(15,092)	(7)
Operational Risk	28,050	30,478	(2,428)	(8)
Market Risk	19,109	23,040	(3,931)	(17)

## Group Chief Financial Officer's review continued

### Capital base and ratios

The Group's capital and liquidity positions are strong with all metrics remaining above regulatory thresholds. The CET1 ratio of 14.2 per cent was 60 basis points higher notwithstanding making a significant regulatory provision, driven by lower RWA.

The Group invited holders of a number of GBP-denominated subordinated and senior securities to tender their notes for repurchase by the Group. As a result of this liability management exercise and other movements, Tier 2 capital was lower by \$1.6 billion.

The Board has recommended a 36 per cent higher final ordinary dividend of 15 cents per share that, together with the interim dividend of 6 cents per ordinary share, would result in a full-year dividend of \$694 million compared with \$363 million in 2017 when no interim dividend was paid.

	IFRS 9 31.12.18 \$million	IAS 39 31.12.17 \$million
Common Equity Tier 1 capital	36,717	38,162
Additional Tier 1 capital instruments	6,684	6,699
Tier 1 capital	43,401	44,861
Tier 2 capital	12,295	13,897
Total capital	55,696	58,758
Common Equity Tier 1 capital ratio end point (%)	14.2	13.6
Total capital ratio transitional (%)	21.6	21.0
UK leverage ratio (%)	5.6	6.0

### Summary and outlook

We have made good progress turning around the Group's financial performance with profits having increased significantly every year since 2015. We are delivering returns that are now much closer to the targets we set out in 2015 and we have clearly defined the actions required to get us above a 10 per cent return on tangible equity by 2021.

We have made a solid start to the year, although income is down slightly compared to the equivalent period in 2018 due to strengthening of the US dollar and buoyant conditions last year in Wealth Management and Financial Markets in particular. While sentiment remains more cautious in the near-term, robust fundamentals across our markets mean we remain optimistic about growth in the medium term.

This franchise is capable of much more. The refreshed strategic priorities we have laid out today that are summarised on page 17 will reinforce our positions of strength and differentiation that are driving profitable growth while also addressing underperforming businesses and improving structural efficiency. We are investing significantly more than we were in 2015 and an increased proportion is targeted at technology-enabled productivity improvements. Our balance sheet is fundamentally more resilient and the conduct and culture across the Group has improved markedly.

We know what our clients want from us, and what we need to do to become simpler, faster and more sustainably profitable.

Our actions will improve the client experience and create a differentiated proposition for all our stakeholders. We are confident that we can generate significant returns for shareholders, including a return on tangible equity in excess of 10 per cent by 2021.



**Andy Halford**  
Group Chief Financial Officer

26 February 2019





## FIGHTING FINANCIAL CRIME

# Correspondent Banking Academies

As part of our efforts in the fight against financial crime, since 2015 we have been partnering with our client banks to help them build robust controls for managing financial crime risk.

Between 2015 and 2018, we have delivered our 'de-risking through education' training programme to 5,000 people from 1,200 client banks in more than 70 countries

This helps people understand and improve their anti-money laundering and financial crime compliance controls.

In 2018 alone, we ran 21 academies for a total of 335 client banks, with 1,173 attendees. Our 2018 academies included new modules on anti-human trafficking, new payment methods, illegal wildlife trafficking and illicit antiquities.

Over 95 per cent of attendees said they would recommend the programme to members of their institution, and 97 client banks have signed up to the related e-learning portal. In addition, regulators have participated in 35 of our workshops, demonstrating the support we've had from the sector.



## Group Chief Risk Officer's review

# Embracing innovation across the risk landscape

We took positive steps in 2018 to maintain lower credit impairment and improve asset quality, helping to further strengthen our risk position. At the start of the year we implemented our new Enterprise Risk Management Framework, identifying ten Principal Risk Types, including Compliance, Conduct, Information and Cyber Security and Financial Crime. This refreshed approach allows us to view our existing risks more holistically, while improving our ability to identify and proactively manage new Risk Types. As of 1 January 2019, we have integrated Conduct, Financial Crime and Compliance risks as a single CFCC function under the Management Team leadership of Tracey McDermott. We are also developing our data and analytics capabilities, harnessing digital and technological innovation to enhance the speed and quality of risk decision-making.

The Group remains well diversified across client segments, geographies and industry sectors, and maintains a strong liquidity and capital position. We are well positioned to identify and take new opportunities, while remaining vigilant for any new threats that may arise and areas that need improvement. We take a proactive approach to risk, with one example being our decision to place stricter standards on industries that have a

high potential environmental or social impact in line with the launch of our updated Position Statements, which set out our approach to managing environmental, social and governance risks.

**+** More information about the Group's Sustainability Philosophy can be found at [sc.com/sustainability/philosophy](https://sc.com/sustainability/philosophy)

While we have made great strides in establishing a healthy risk culture, we recognise that threats to our business are constantly evolving, and only by continuing to explore all available opportunities to improve can we keep delivering on our brand promise of being Here for good. In an industry that faces much disruption, we are committed to building partnerships and embracing new technologies to strengthen our risk capabilities.

### An update on our key risk priorities

2018 was a challenging but productive year for the Group. Our risk management approach is at the heart of our business and is core to us building a sustainable platform for growth. We want to embed innovation, digitisation and effective analysis as pillars of the function. Here is an update on our key priorities over the past 12 months:

#### → 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 regarding current and future risks. Our Enterprise Risk Management Framework sets out the guiding principles for our people, enabling us to have integrated and holistic risk conversations across all our Principal Risks. We continue to assess strategic initiatives and growth opportunities from both the financial and non-financial risk perspective, and our improved approach to effectiveness reviews facilitates challenge, learning from self-identified issues or weaknesses, and making improvements that are lasting and sustainable.

#### → Enhance information and cyber security

– Information and cyber security is an area with an increased risk profile across financial services and other industries. Along with other organisations, we continue to invest and increase our capability in information and cyber security through the expansion and strengthening of our operating model. In 2018, we elevated Information and Cyber Security Risk to a Principal Risk Type, and a new framework was approved for implementation to ensure cyber risks are identified and managed in a consistent way across the Group. In addition, we are making further improvements through awareness campaigns, active participation in external partnerships including the UK Cyber Defence Alliance, and employment of an external adviser to provide insights to the Board on cyber security matters. These combined efforts help strengthen our defences and aid our efforts to keep pace with evolving cyber threats.

#### → Manage financial crime risks –

Financial crime hinders economic progress and harms communities, and we are committed to fighting it. We have made substantial progress in building an effective and sustainable financial crime compliance programme and improving our controls, systems and processes. Our progress in this regard was recognised at the end of 2018, when the monitorship ordered by the New York State Department of Financial Services was permitted to expire as part of



**Mark Smith**  
Group Chief Risk Officer

a Second Supplemental Consent Order was replaced by an independent consultant. The Order acknowledges that we had demonstrated our commitment to complying with state and federal anti-money laundering and sanctions laws and regulations and had substantially remediated and enhanced our anti-money laundering compliance programme. We continue to advocate for more modern ways of fighting financial crime, maintaining our involvement in public-private information sharing partnerships in the UK, US, Singapore and Hong Kong, and pursuing innovation by partnering with RegTech firms in the areas of surveillance and investigations. In addition, we are proud to support the United for Wildlife Financial Taskforce (of which our Group General Counsel, David Fein is Vice Chair), an initiative dedicated to increasing awareness of, and improving, how the financial industry can combat illegal wildlife trafficking. Initiatives like this are in line with our Sustainability Philosophy and target those at the heart of financial crime from multiple angles. By cutting off their sources of funds, we can help to make the financial system a hostile environment for criminals, while supporting economic development across all of our markets.

+ More information about the Group's commitment to fighting financial crime can be found at [sc.com/fightingfinancialcrime](https://sc.com/fightingfinancialcrime)

#### → Strengthen our conduct environment

– Conduct remains a key focus across the Group. In 2018, we elevated Conduct Risk to a Principal Risk Type and made it a priority to review, refine and further strengthen our approach to conduct, ensuring that Conduct Risk is considered not just in the day to day but in all our strategic decisions and activities. While the Group Code of Conduct sets expectations for individual behaviour, the refreshed Conduct Risk Type Framework provides a more robust and consistent approach to allow us to assess and monitor Conduct risk across the Group's businesses and functions. A key priority in 2019 will be to embed Conduct Risk considerations into the other non-financial risks, to ensure that we make the right holistic decisions. While incidents cannot be entirely avoided across the Group, we have no appetite for breaches of laws or regulations, and we expect nothing less than the highest standards at all levels.

+ More information on our Group Code of Conduct can be found at [sc.com/codeofconduct](https://sc.com/codeofconduct)

#### → Enhance our compliance

**infrastructure** – In 2018, we established a multi-year programme to review and strengthen our existing structures and processes, and we have already delivered tangible progress in several areas. We implemented a new Regulatory Obligations Management system, and in the first quarter of 2019 we will install a refreshed system for Issue Management and Policy and Document Management. We rolled out an enhanced learning programme for our compliance officers, as well as a progressive development path. In the second half of 2018, we launched a shared service centre for surveillance in Kuala Lumpur, equipped with staff providing a broad range of capabilities across Trade and Communications Surveillance. We also implemented a knowledge-sharing tool that explains important trends in the world of technology and highlights the key compliance issues that may arise as a result. These improvements help our people to make better informed and consistent decisions and raise our ability to innovate in response to the ever-changing regulatory landscape.

#### → Improve our efficiency and effectiveness

– The Group has continued to invest in improvements to infrastructure, including exposure management, data quality and stress testing. Further enhancements are planned for Operational Risk management, workflow and reporting. We are working with fintech partners and innovating internally to explore new opportunities with machine learning, artificial intelligence and data analytics infrastructure. We continue to streamline and simplify our processes to serve clients better and drive internal efficiencies.

### Our risk profile and performance in 2018

The Group's portfolios remain strong and well diversified. Our continued focus on high-quality origination within a more granular Risk Appetite has enabled sustained improvements in the credit quality of our corporate portfolios, with the percentage of net exposure to investment grade clients increasing to 62 per cent (2017: 57 per cent) of total corporate net exposure. The Group's client exposures also remain predominantly short tenor. Despite this improvement we remain alert to broader geopolitical uncertainties that continue to affect sentiment. An example is Brexit, although the Group's credit portfolio should not be materially impacted by the UK's withdrawal from the European Union.

Our subsidiary in Germany is established and we are focused on managing the operational and regulatory risks that will arise as a result of Brexit. We continue to focus on early identification of emerging risks across all our portfolios so that we can proactively manage any areas of weakness. We also perform regular reviews and stress tests of our portfolio to help mitigate any risks that might arise. Our risk management capability has also improved through investment in credit structuring and distribution resources.

Credit impairment in the ongoing book reduced further in 2018 to \$740 million (2017: \$1,200 million), driven primarily by improvements in the Corporate & Institutional Banking portfolio where there was a decrease of \$428 million (2018: \$229 million, 2017: \$657 million). This reflects an improvement in the risk profile of the segment, through a continued focus on high-quality new origination and recoveries and releases that were observed across all segments. Commercial Banking ongoing business credit impairment increased by 45 per cent (2018: \$244 million, 2017: \$168 million) compared to 2017, which saw a release of \$63 million of portfolio impairment provisions held against certain sectors of the portfolios that were no longer required. Africa & Middle East contributed 60 per cent of the full-year 2018 charge. Retail credit impairment continued to reduce (2018: \$267 million; 2017: \$374 million) driven by portfolio improvements, and run down of high-risk segments in several unsecured portfolios, as well as one-off provision releases in Korea and Indonesia.

Gross credit-impaired (stage 3) loans for the Group are down 21 per cent in the year, having decreased to \$6.9 billion (1 January 2018: \$8.8 billion) with a reduction of \$1.0 billion observed in the liquidation portfolio as we continued to exit these exposures. Gross stage 3 loans in the ongoing business decreased to \$5.6 billion (1 January 2018: \$6.5 billion); mainly driven by repayments and write-offs in Corporate & Institutional Banking. Stage 3/non-performing loan (NPL) inflows in Corporate & Institutional Banking were also significantly lower, as historically high inflows from stressed portfolios such as India and the Oil and Gas sectors were muted. Stage 3/NPL inflows in Commercial Banking were higher, driven by exposures in Greater China & North Asia and Africa & Middle East, with no specific industry concentration.

The stage 3 cover ratio in the total book has reduced marginally to 59 per cent in 2018 (1 January 2018: 60 per cent), largely driven by the impact of write-offs and settlements in the liquidation portfolio.



The Group maintains a strong liquidity position, with the liquidity coverage ratio higher at 154 per cent from 146 per cent in 2017, driven by an increase in our liquid asset position partially aligned to the growth in our overall balance sheet as we continued to focus on high-quality liquidity across our businesses. The advances-to-deposits ratio (2018: 64.9 per cent) decreased from the previous year (2017: 67.0 per cent). We remain a net provider of liquidity to the interbank markets and our customer deposit base is diversified by type and maturity. We have a substantial portfolio of marketable securities which can be realised in the event of a liquidity stress situation.

The Group's Common Equity Tier 1 ratio of 14.2 per cent was 60 basis points higher than 2017 mainly due to a lower level of risk-weighted assets, which reduced by \$21.5 billion. This was driven by a reduction in credit risk-weighted assets of \$15.1 billion.

The average level of total trading and non-trading VaR in 2018 was 20 per cent lower than in 2017 because of a reduction in the duration of the non-trading portfolio in the first half of 2018. However, by year end 2018 the non-trading VaR increased, driven by an increase in the portfolio inventory and reduced portfolio diversification in the second half of the year.

➤ Further details of the 2018 risk performance are set out in the Risk update (pages 138 and 139) and the Risk profile section (pages 140 to 192)

## An update to our risk management approach

In 2018, we made good progress in delivering the key initiatives started in 2017 to implement a strong risk management approach. We have continued to build out the Enterprise Risk Management function which allows the Group to identify and manage risks holistically, ensuring that appropriate governance, oversight and information is in place to run a safe, secure and well-controlled organisation. It also strengthens the Group's capabilities to understand, articulate and control the nature and level of risks we take while still serving our clients effectively.

The Enterprise Risk Management Framework, launched in 2018, sets out a refreshed risk culture and a clear control framework with sharper delineation of responsibilities between the three lines of defence. Further details on the Group's Three Lines of Defence model are set out in the Enterprise Risk Management Framework section (page 193). We have also formalised the links between our strategy, Risk Appetite and stress testing to facilitate more dynamic risk identification and the integration of risk considerations into strategic decision-making.

We have developed distinct Risk Type Frameworks for our 10 Principal Risks which are being rolled out throughout the organisation. Principal Risk Types are risks that are inherent in our strategy and business model and have been formally defined in the Group's Enterprise Risk Management Framework.

Through the development and approval of these Risk Type Frameworks, we have revised the definition of certain Principal Risk Types to describe the risks or failures more explicitly.

We have also established an Effectiveness Review process for the Enterprise Risk Management Framework and Risk Type Frameworks which provides an objective baseline against which progress can be measured over the coming years.

The 2018 Effectiveness Review concluded that the Enterprise Risk Management Framework has been effectively designed towards improving the Group's risk management practices.

Over the course of 2019, the Group aims to further strengthen its risk management practices. More details can be found in the Enterprise Risk Management Framework section (pages 193 to 197).

The framework provides a structure for the monitoring and control of these risks through the Board-approved risk appetite. The Group will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns. The table below shows the Group's Principal Risk Types and how they are managed.

➤ Further details on Principal Risks are set out in the Risk management approach (pages 193 to 217)

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

➤ Further details on Principal Risks are set out in the Risk management approach (pages 193 to 217)



## Principal uncertainties

Principal uncertainties refer to unpredictable and uncontrollable outcomes from certain events and circumstances which may have the potential to materially impact our business. As part of our continual risk identification process, we have updated the list disclosed in the 2018 half year Report. The table below summarises the current principal uncertainties that the Group faces, and the steps we are taking to manage them.

Principal uncertainties	Risk trend since 2017	How these are mitigated/next steps
<b>Geopolitical events, in particular: extended trade tensions, the Middle East political situation and Brexit implications</b>		<ul style="list-style-type: none"> <li>→ We monitor geopolitical events continuously to assess horizon risks and, where appropriate, manage the impact to the Group and our clients</li> <li>→ We conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible geopolitical events</li> </ul>
<b>Macroeconomic conditions, in particular: China slowdown and impact to regional economies with close ties to China, and Emerging Market risks</b>		<ul style="list-style-type: none"> <li>→ We have a Business Risk Horizon framework that provides a 12- to 18-month forward looking view of the economic, business and credit conditions across our key markets, enabling us to take proactive action</li> <li>→ We monitor economic trends and conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible events</li> <li>→ We continue to adjust our outlook and ratings based on political events and volatility</li> </ul>
<b>Climate-related physical risks and transition risks<sup>1</sup></b>		<ul style="list-style-type: none"> <li>→ We have participated in the development of pilot scenario analysis tools for physical and transition risks for energy utilities clients and other high-emitting sectors. We are also involved in a wide range of collaborative initiatives related to climate risk management</li> <li>→ We have reduced our risk appetite to carbon-intensive sectors by introducing technical standards for coal-fired power plants, and restrictions on new coal mining clients and projects. In September 2018, we announced that we would no longer provide financing for new coal-fired power plants anywhere in the world</li> <li>→ We achieved, two years ahead of schedule, our public target to fund and facilitate \$4 billion toward clean technology between 2016 and 2020</li> </ul>
<b>Regulatory reviews, investigations and legal proceedings</b>		<ul style="list-style-type: none"> <li>→ We have invested in enhancing systems and controls, and implementing remediation programmes (where relevant)</li> <li>→ We are cooperating with all relevant ongoing reviews, requests for information and investigations, and we actively manage legal proceedings</li> <li>→ We continue to train and educate our people on conduct, conflicts of interest, information security and financial crime compliance in order to reduce our exposure to legal and regulatory proceedings</li> </ul>
<b>Regulatory changes</b>		<ul style="list-style-type: none"> <li>→ We actively monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model</li> <li>→ 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 entity level limits and training</li> </ul>
<b>New technologies and digitisation (including business disruption risk, responsible use of artificial intelligence and obsolescence risk)</b>		<ul style="list-style-type: none"> <li>→ We monitor emerging trends, opportunities and risks in the technology space which may have implications on the banking sector</li> <li>→ We are engaged in building our capabilities to ensure we remain relevant and are able to capitalise rapidly on technology trends</li> <li>→ We continue to make headway in harnessing new technologies, and we are investing in machine learning solutions that rapidly analyse large datasets and fine-tune the accuracy of our financial crime surveillance tools</li> <li>→ We are actively targeting the reduction of obsolescent/end of support technology following a technology and innovation led approach</li> </ul>
<b>Increased data privacy and security risks from strategic and wider use of data</b>		<ul style="list-style-type: none"> <li>→ We have existing governance and control frameworks for the deployment of new technologies</li> <li>→ We have designed a programme to manage the risks posed by rapidly evolving cyber security threats</li> <li>→ We maintain a vigilant watch on legal and regulatory developments in relation to data protection to identify any potential impact to the business</li> </ul>

 Risk heightened in 2018  Risk remained consistent with 2017 levels

<sup>1</sup> 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 principal uncertainties, including key changes since 2017, are set out in the Risk management approach (pages 213 to 217)

## Summary

The external environment is becoming increasingly uncertain even as the expectations of our customers and shareholders continue to rise. Nonetheless, we continue to put our clients at the heart of all we do, and are strongly positioned to deliver our vision of increasing prosperity through taking risk. We are a function that champions innovation, and our focus remains on building a strong and sustainable business which will benefit our clients, our people, and our society for generations to come.



**Mark Smith**  
Group Chief Risk Officer

26 February 2019

## Stakeholders and responsibilities

### Our stakeholders

We believe that regular and constructive dialogue with stakeholders is central to delivering sustainable and responsible banking.

If we are to drive commerce and prosperity, we need to understand the long-term issues that impact our markets. During 2018, we increased engagement with stakeholders and continued to listen and respond to the environmental, social and corporate governance (ESG) concerns of a wide range of external groups.

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

Stakeholder feedback is communicated internally to senior management through the relevant forums and governing committees. It helps inform our response to these issues and maintain good relationships in the markets where we operate.

Progress is communicated regularly through channels such as [sc.com](https://www.sc.com) and this report.

#### CLIENTS



##### How we serve and engage

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

Clients are at the heart of everything we do as a bank. By building and fostering long-term relationships with our clients, we can serve them better, deepen our relationships, uphold our reputation and attract new customers to grow our business. In recent years, we have seen increasing demand from our clients for sustainable finance products.

Delivering fair outcomes for clients is a priority, starting with products and services that are well-designed, fairly and reasonably priced, and supported by clear and concise information. Client interests are factored into our business strategies, including how we set and monitor revenue targets, govern new product development, review and assess existing products and discontinue products. We aim to deal with issues in a fast, fair and efficient way and each business segment has tailored procedures and processes in place to handle client complaints.

Good business conduct remains central in all our client interactions. Across our businesses, we aim to ensure that frontline colleagues are trained and certified, provide the right information about fees, risks and product features and deliver on service level promises. In Corporate & Institutional Banking, colleagues must identify and manage possible conflicts of interests with clients in an open, honest and clear way, and carry out all client orders in a way that treats all clients fairly.

➤ For more information about our clients, read the Client segment reviews on pages 21 to 24



#### REGULATORS & GOVERNMENTS



##### How we serve and engage

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

In 2018, we engaged with policymakers at all levels to exchange information on topics such as prudential rules, Brexit, supporting trade and economic growth, climate change, fintech, artificial intelligence, cyber security and fighting financial crime.

We are committed to complying with legislation, rules and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate. Our compliance with legal and regulatory frameworks across our markets ensures that the Group meets its obligations. In turn, this supports the resilience and effective functioning of the Group and the broader financial system and economy. In 2018, we brought our Public Affairs and Group Regulatory Reform teams together to form a new Public and Regulatory Affairs team responsible for anticipating changes to relevant legislation and regulation. This helps ensure we comply with requirements and manage relationships with regulators and governments effectively.

We actively engage with governments, regulators and policymakers at a global, regional and national level to share insights and technical expertise on key policy issues. This engagement supports the development of best practice and the adoption of consistent approaches across our markets. We comply with all relevant transparency requirements and engage with governments and regulators in many ways, including through ongoing dialogue, submission of responses to formal consultations and by participating in industry working groups. We typically publish our consultation responses on regulations that impact the Group on [sc.com](https://www.sc.com).

In 2019, we expect to focus engagement activities on regulation and legislation associated with emerging technologies and innovations in banking. We will also continue to engage on Brexit, global trade developments, the Belt and Road initiative and climate change.



## COLLEAGUES



> See pages 44 to 46

## SOCIETY



> See pages 47 to 51

## INVESTORS



## How we serve and engage

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

Our operating footprint, along with a commitment to sustainable and responsible banking, uniquely connects investors in established capital markets with opportunities in emerging markets. In this context, we believe that an integrated approach to ESG issues and a strong risk and compliance culture provide a competitive advantage.

Using the capital that we receive from equity and debt investors, we execute our business model with a focus on delivering sustainable value for all shareholders. Whether they have a short- or long-term investment horizon, we provide all investors with information about all aspects of our financial and sustainability performance.

During 2018, we engaged with investors in a number of ways including at conferences and on roadshows. In May, we hosted a seminar on our second largest business, Retail Banking, in London. Increasingly, investors are engaging us on ESG matters including the United Nations (UN) Sustainable Development Goals, climate change, coal and human rights. Following our commitment at the AGM, we hosted several bilateral engagements covering our Sustainability Philosophy, updated Position Statements and our Prohibited Activities list. These and other topics were covered at the Chairman's stewardship and strategy forum in September.

We engage with sustainability analysts and participate in sustainability indices that provide independent benchmarking of our performance. We are included in FTSE4Good and submit to the Carbon Disclosure Project (CDP).

In 2019, we will continue to engage with investors on how we will sustainably improve our returns to create value over the long term.

> For more information about Board engagement with shareholders in 2018, see page 70 in the corporate governance section of the Directors' report



## SUPPLIERS



## How we serve and engage

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

Engagement with suppliers is guided by our Supplier Charter, which sets out what we expect of vendors on issues such as ethics, anti-bribery and anti-corruption, human rights and environmental performance. Suppliers must recommit to the charter annually, and regular engagement to monitor performance is built into our procurement practices and standards. In 2018, we hosted vendor forums across a number of our markets where we discussed the Bank's valued behaviours and conduct expectations.

We engage globally and locally to create value through the supply chain for both our business and our vendors. Our strategic supplier relationship management programme helps build relationships with our 36 key suppliers. In 2018, we held engagement sessions in Hong Kong and the UK to strengthen collaboration and innovation with strategic suppliers. Small and medium-sized business owners are given the opportunity to participate in our sourcing activities and local supply teams engage them within our markets to help them meet the standards set out in our Supplier Charter. We also work with small and medium-sized fintechs with SC Ventures to drive greater innovation in our supply chain.

We are committed to embedding sustainability in our procurement practices and in 2019, we will define targets to encourage greater diversity in our supply chain. This includes supporting sourcing from businesses owned by women, and micro and small businesses. Our new supply chain management system, SCBuy will provide improved data on sustainability issues such as modern slavery and diversity and inclusion. The first phase of SCBuy was implemented in 2018. It will be completed in 2021.

+ Download our Supplier Charter at [sc.com/suppliercharter](https://sc.com/suppliercharter)





## Stakeholders and responsibilities continued

### COLLEAGUES



#### How we serve and engage

We believe that great client experience is driven by great colleague experience. We want our people to pursue their ambitions, to deliver with purpose, and have a rewarding career enabled by great people leaders.

#### Purpose-led cultural change

Our culture is the foundation for delivering on our purpose to drive commerce and prosperity through our unique diversity. We continue to embed our culture through our valued behaviours (Never Settle, Do the Right Thing and Better Together), which describe a culture that balances innovation, client focus, ethics and inclusion. We have integrated these refreshed valued behaviours into the way we hire, recognise, reward and develop our people.

#### Engaging our colleagues

More than 73,000 (90 per cent) of our people took part in our annual engagement survey. When asked 'How does working for the Bank make you feel?', emotions such as pride,

happiness and optimism ranked highly, while colleagues expressed some frustration with work processes. Engagement levels are at 67 per cent (in-line with 2017 results, and up from 2016) with 96 per cent of respondents committed to doing what is required to help us succeed. Follow-up actions include simplifying company processes, promoting innovative practices and encouraging colleagues to identify small changes in our work processes that can make a big difference.

The Board hosts engagement sessions with colleagues when travelling to our markets and we are also introducing new ways for colleagues and the Board to interact, for example, through online discussions. This aligns with the new UK Corporate Governance Code requirements on workforce engagement.

We proactively manage risks associated with our workforce (such as engagement, attrition, development and conduct) through our risk management frameworks. Additionally, we continue to review our people agenda in light of the changing needs of the future workforce so that we can remain an employer of choice for the talent upon which we depend.

#### Our commitment to wellbeing

We are committed to bringing out the best in colleagues by establishing and maintaining a work environment that promotes positive wellbeing and healthy lifestyle choices. Our vision is to create a culture where employees have access to a range of wellbeing resources to help them remain happy and healthy, and can seek help when they need it. We recognise that every employee has different needs and our four wellbeing pillars – mental, physical, social and financial – allow us to provide support to employees at every stage of their lives.

#### Developing our colleagues

Developing our people and finding the right opportunities for them to succeed is a priority for us. In 2018, we identified and brought together two global talent pools for emerging and high potential talent. These are groups of talented leaders at different stages in their career who have the potential to operate in more senior and complex leadership roles in the future. The pools are designed to prepare and accelerate their readiness for succession to Management Team roles over the short, medium and long-term.

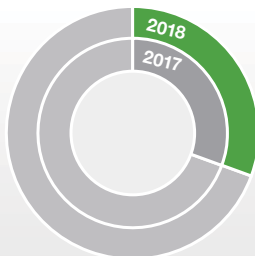
### Female representation

#### Board

Female

30.8%

(2017: 30.8%)

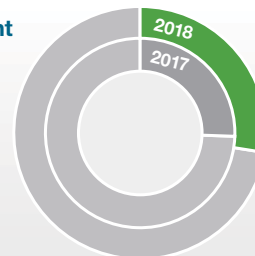


#### Senior management (Bands 1-4)

Female

27.7%

(2017: 25.7%)

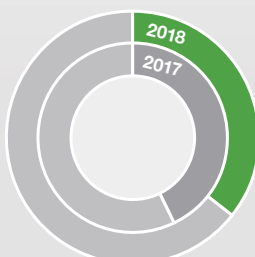


#### Management Team

Female

35.7%

(2017: 42.9%)

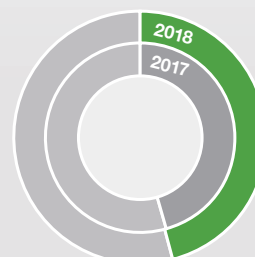


#### All employees

Female

45.9%

(2017: 45.8%)



One of the ways we nurtured talent in 2018 is through mentoring relationships between our independent non-executive directors and leaders from our global talent pool. This enabled future leaders to learn from external perspectives to shape their own personal and professional growth.

For identifying talent in the external market, we have invested in our Global Talent Research team to directly source talent. Over 50 per cent of the external talent that was sourced and hired by this team in 2018 was female talent.

### Learning as a lever for culture, capability and performance

Leadership is pivotal to our culture, capability and performance, and our people leaders are central to developing our employees and supporting their career aspirations.

In 2018, we rolled out new executive development programmes 'It's On Us' and 'Make it Real' in partnership with Duke Corporate Education. We reached 90 per cent of our top 250 leaders and 34 per cent of our executive leaders this year.



### Our commitment to wellbeing

A wellbeing programme consisting of four pillars – mental, physical, social and financial – has been launched globally. More than 80 per cent of our colleagues have access to offerings under all four pillars. A detailed review in 15 of our largest markets has provided a better understanding of the local wellbeing challenges being faced and how best to strengthen our wellbeing programme in 2019 and beyond.

The programmes are focused on our clients, our purpose and our valued behaviours, challenging the way our leaders lead as individuals and collectively.

Following research on what makes a great people leader at Standard Chartered, we have defined five people leader personas from 'aspiring' to 'experienced' and nine practices to make colleagues feel safe, motivated and empowered. We are redeveloping our leadership development programmes to reflect these principles and piloted the first of these with new leaders in November 2018. We will roll this out to all first-time leaders in 2019. We have provided more than 10,000 days of leadership and management training and an average of three days of formal training to all colleagues in 2018.

### Embracing diversity to achieve our purpose

Unique diversity underpins our purpose. We can only drive commerce and prosperity by embracing the power of our diversity and unleashing its full potential. An inclusive culture is central to enabling our diversity, prompting innovation and driving performance.

In 2018, we defined our long-term approach to diversity and inclusion (D&I) for our colleagues, clients and communities, setting out key objectives and focus areas to build a culture of inclusion, respect and equality.

Our Group-wide D&I Standard sets out our intent to ensure a respectful workplace, with fair and equal treatment and the provision of opportunities for colleagues to participate fully and reach their full potential in an appropriate working environment.

Our global D&I Council, comprising of senior leaders across the organisation, is now responsible for overseeing the development and implementation of the D&I strategy. It reports progress to the Management Team and Brand Values & Conduct Committee. Our global D&I agenda is supported by business and country councils, which execute initiatives locally. We have 50 employee resource groups in 20 countries that represent the passion of our colleagues for D&I.

An Integration Group has also been formed to implement D&I best practice through employee and business processes, including



### Group KPI: Employee engagement

#### Employee Net Promoter Score (eNPS)

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

**Analysis** eNPS has increased steadily over the past 12 months (5.9 in H2 2017 vs 9.6 in H1 2018 vs 11.3 in H2 2018) suggesting that the Group is becoming a better place to work and employee advocacy reflects this.



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

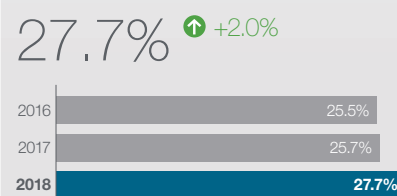


### Group KPI: Diversity and inclusion

#### Gender diversity in senior roles

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

**Analysis** Since signing the Women in Finance Charter in 2016, we have seen a positive trend in female representation in our senior leadership roles, increasing to 27.7 per cent at the end of 2018. This takes us closer towards our pledge of having women occupy 30 per cent of the top four levels of senior roles by 2020.



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

## Stakeholders and responsibilities continued

### COLLEAGUES CONTINUED



capturing diversity candidate data (where legally permissible), ensuring diverse candidate shortlists, creating diversity measurements for senior management succession plans and building a sustainable supply chain management strategy and roadmap.

To help us effectively measure inclusion within the organisation, we have introduced a Diversity and Inclusion Index. This is a tool to help managers better understand inclusion within their team, comprising eight existing questions from the employee engagement survey which all relate to inclusion.

#### Gender equality

Our goal is to engage and support all genders, and progress towards gender equality. In April this year, our Group CEO signed a statement of support for the United Nations Women Empowerment Principles. These seven principles underpin our commitment to support women in the workplace, marketplace and community.

We have seen a positive trend in female representation in our senior leadership roles,

increasing from 25.7 per cent in 2017 to 27.7 per cent at the end of 2018. We are proud of the progress that we have made, but recognise there is more work to do.

We understand that gender equality can only be reached by a focus on all genders. Our Group Flexible Working Policy, Shared Parental Leave Policy, Fair Pay Charter, mentoring and leadership programmes continue to support all our colleagues.

We also recognise both International Women's and Men's Day to enable a constructive dialogue, improve gender relations, break traditional gender norms, highlight role models and minimise bias and stereotypes.

In 2018, we were recognised by Equileap in the gender equality global report as a top performing UK company for gender equality. The Bank has been ranked 26th on the global ranking (up from 42nd in 2017) and 3rd in the UK ranking where we did not rank at all in 2017. We were also proud to have five colleagues recognised by the Financial Times & HERoes Champions of Women in Business 2018 who haven't just achieved success themselves, but also committed to lifting others as they climb, and ultimately fuelling the female talent pipeline. For the third consecutive year, we were also recognised by the Bloomberg Equality Index.

#### Gender pay gap

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

The mean hourly pay gap in the UK has increased from 30 per cent in 2017 to 32 per cent in 2018. While an increase in the gap appears incongruous with making progress on gender equality, we acknowledge that the actions we are taking to close the gap will take time and that in the short-term, small changes in the population will continue to have an impact.

The mean bonus pay gap has decreased from 57 per cent in 2017 to 49 per cent in 2018. While pleasing to report, we recognise that short-term, year-on-year comparison is of limited use, as there will be changes to the population and in the distribution of bonus payments relating to Group, business area and individual performance.

We are committed to increasing the number of women in senior roles and have initiatives in place to support this; we acknowledge it will take time to see the level of change needed to reduce the gender pay gap.

When adjusting the hourly pay gap for men and women carrying out roles at the same level in the same business area for the UK and four of our markets, there is no discernible pay gap.

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

+ Download our gender pay gap report at [sc.com/genderpaygap](https://sc.com/genderpaygap)



#### Inclusive leadership

We have launched the Inclusive Leadership Programme, with 1,791 (11.5 per cent) of our people leaders trained so far, and over 85 per cent of attendees citing they found the content valuable to their leadership development. The workshop builds understanding of how to create an inclusive culture, how biases can affect our decision-making processes and how to unlock the power of our teams. We plan on reaching over 75 per cent of our people leaders by the end of 2019.

#### Gender pay gap by region

	UK	Hong Kong	Singapore	UAE	US
Mean hourly pay gap (%)	32	23	36	27	23
Mean hourly pay gap: roles at same level and business area (%)	2	-1	1	-1	3
Mean bonus pay gap (%)	49	43	50	56	49
Jobs at same level and business area (%)	2	-1	1	-1	3



## SOCIETY



## How we serve and engage

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



By delivering against our three sustainability pillars and 11 Sustainability Aspirations, we can achieve our purpose and be Here for good.

Discover more at [www.sc.com/sustainability](http://www.sc.com/sustainability)

## Sustainable and responsible business

Our goal is to promote economic and social development in a sustainable way, in line with our purpose and valued behaviours. We do this by integrating sustainability throughout our business, operations and community programmes.

In 2018, we laid the foundations for an ambitious transformation of our sustainability performance. We clarified our sustainability philosophy and positions on key sustainability issues, introduced new governance frameworks to further integrate sustainability across the Bank and reorganised business teams to increase our focus on sustainable finance.

For the first time, we set out how we balance economic, environmental and social needs in our decision-making through our Sustainability Philosophy and publicly shared the list of Prohibited Activities that the Bank will not finance. The list includes restrictions involving child and forced labour, trade in endangered wildlife, and Arctic and tar sands exploration and production. The full list can be found at [sc.com/prohibitedactivities](http://sc.com/prohibitedactivities).

A new Bank-wide Sustainability Forum, nominated by the Management Team and led by the Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance, was set up to develop and deliver the Bank's sustainability strategy. The forum is supported by a new Sustainable Finance Working Group and strengthened working groups on human rights and climate change. The forum will report regularly to the Management Team and the Brand, Values and Conduct Committee of the Board.

Our ambition is to increase our support and funding for sustainable financing and in 2018, following extensive engagement with investors and clients, we set up a dedicated team to maximise opportunities for sustainable finance in our markets.

The Sustainable Finance team brings together our business expertise with our capabilities in environmental and social risk management. Its role is to identify opportunities to develop new financial products and services that have a positive social and economic impact while also ensuring that environmental, social and governance considerations are incorporated into banking decisions.

In 2019, the team will focus on creating a Bank-wide sustainable finance strategy, further incorporating sustainability into the Bank's financing decisions and identifying new sustainable finance opportunities for clients.

Good progress continues to be made against our 11 Sustainability Aspirations, which were created in 2016 in alignment with the United Nations' Sustainable Development Goals. They set out measurable targets to deliver sustainable outcomes in areas such as infrastructure and clean technology. Detailed progress against the Aspirations can be found in our separate Sustainability Summary.

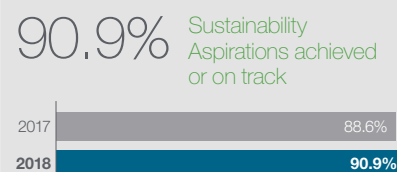
## Group KPI: Sustainability



## Delivering Sustainability Aspirations

**Aim** Embed sustainable and responsible practices across our business, operations and communities by measuring progress against the targets set in our 11 Sustainability Aspirations.

**Analysis** In 2017, the first year we reported progress on the Aspirations, 88.6 per cent were achieved or on track. In 2018, this figure rose to 90.9 per cent demonstrating our progress in embedding sustainability across the Bank



# Stakeholders and responsibilities continued

## SOCIETY CONTINUED



We regularly measure the social and economic impact of the Bank's activities in our markets and in 2018, we focused on our impact in Kenya, Tanzania and Uganda. Using 2016 data, our report into Standard Chartered's socio-economic impact in East Africa determined that the Bank provided \$3.4 billion of financing, direct and indirect value-added impacts of \$2.8 billion, and direct and indirect employment to more than one million people.

+ Read our Sustainability Philosophy at [sc.com/sustainabilityphilosophy](http://sc.com/sustainabilityphilosophy)

+ Download our Sustainability Summary at [sc.com/sustainabilitysummary](http://sc.com/sustainabilitysummary)

+ Download the East Africa Impact Report at [sc.com/sustainability](http://sc.com/sustainability)

### Contributing to sustainable economic growth

We finance key sectors and create products and services that drive sustainable economic growth while managing environmental and social risks associated with our financing.

### Managing environmental and social risks

Our most significant environmental and social impacts come from the business we finance.

Following a comprehensive review, in 2018 we released our revised cross-sector environmental and social risk framework and updated Position Statements, which have been consolidated across five sectors and two themes. These draw on International Finance Corporation (IFC) Performance Standards, the Equator Principles and global best practice, setting out the conditions under which we will support the activities of clients operating in sectors with a high potential environmental or social impact.

The review resulted in a revised position on power generation and a decision to end financing for new coal-fired power plants, save where we have an existing commitment.

We identify and assess environmental and social risks related to our Corporate & Institutional, Commercial and Business Banking clients, and embed our environmental and social risk framework directly into our credit approval process. All relationship managers and credit officers are offered training in assessing environmental and social risk against our criteria, as well as access to online resources.

In 2018, we reviewed 827 transactions that presented potential specific risks against our Position Statements. Where possible, we work collaboratively with clients to mitigate all identified risks. Where this is not possible, transactions have been, and will continue to be, turned down.

During 2019, we will build on this momentum embedding the Position Statements through e-learning and classroom-based training for frontline and risk colleagues and extending transaction reviews to the Private Bank. As a member of the Equator Principles (EP) Steering Committee, we will also play an active part in the review of EP4 during 2019.

### Assessing climate change

During 2018, we advanced our approach to climate change and concluded work with the University of Oxford to assess the impact of climate change on energy utilities clients. We collaborated with 15 banks and the UN Environment Programme to pilot scenario analysis for physical and transition risks in key sectors. This provided preliminary information on climate impacts and will help us as we develop further climate analytics.

We published our first report aligning to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and announced our intention to develop a methodology to measure, manage and ultimately reduce the emissions related to our activities and those related to the financing of our clients. We will progress this in 2019 alongside work with the Banking Environment Initiative Bank 2030 project to identify climate opportunities.

+ Read our Position Statements at [sc.com/positionstatements](http://sc.com/positionstatements)

### Being a responsible company

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

### Promoting good conduct

Recognising its importance, we identified conduct as a Principal Risk Type in 2018 and clarified how we define Conduct Risk, re-emphasising our focus on ensuring fair client outcomes. We updated the framework and policy that embed the practices that help us identify, aggregate and measure conduct-related risks.

Our Code of Conduct remains the central tool through which we set out our conduct expectations. Our goal is to create the right environment to support ethical behaviour so all employees know, understand and play their part. Leaders are encouraged to recruit and recognise colleagues based on good conduct, while performance objectives and reward mechanisms are directly linked to the our valued behaviours.

Conduct training is obligatory and colleagues are asked annually to recommit to the Code of Conduct. In 2018, 99.6 per cent reconfirmed their commitment to the code. Failure to adhere to the code can result in disciplinary action and potentially dismissal.

Our focus in 2019 is to embed the requirements of the new framework across businesses and functions.

### Speaking Up

Year	Total cases raised <sup>1</sup>	In scope <sup>2</sup>	Closed <sup>3</sup>	
			Substantiated <sup>4</sup>	Unsubstantiated
2018	1,469	606	318	290
2017	1,183	460	194	273

1 Total concerns raised within the reporting year

2 A reportable concern under the FCA whistleblowing rules that is raised within the reporting year and considered within the scope of the Speaking Up programme

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

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

### Colleagues who recommitted to the Group Code of Conduct in 2018

# 99.6%

#### Speaking Up

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

During 2018, 1,469 concerns were raised through Speaking Up, of which 606 were within scope and investigated. Themes included concerns involving employee behaviour, breaches of internal controls, conflicts of interest and allegations of fraud.

In 2018, 608 cases were closed following investigation (these included cases raised in 2018 as well as cases raised in prior years). The concerns raised were substantiated in 318 of those cases while 290 were found to be unsubstantiated. A range of actions have been taken in response to these cases including improvements to processes or controls, additional training and, in the most serious cases, disciplinary action and dismissals.

We are committed to providing a safe environment for colleagues to report concerns. Trust and confidence in the Speaking Up programme has grown. This is evidenced by an increase in the number of concerns being raised. It is supported by the results from our My Voice employee survey, in which 91 per cent of colleagues responded favourably to the statement; 'I feel comfortable to Speak Up if I see a violation of the Bank's policies, valued behaviours and Code of Conduct'.

In 2019, we will continue to educate colleagues on how to use Speaking Up channels.

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

### Fighting financial crime

Our aim is "partnering to lead in the fight against financial crime", protecting our business, clients and wider communities from its damaging effects. By cutting off their sources of funds, we can help make the financial system a hostile environment for criminals, while supporting economic development across all our markets.

We maintain sound defences against money laundering, terrorist financing, sanctions compliance breaches, bribery and other forms of corruption. A dedicated Financial Crime Compliance (FCC) team leads our risk management activities, which include adhering to anti-money laundering and sanctions policies, and applying core controls such as client due-diligence screening and monitoring. Anti-bribery and corruption (ABC) policies aim to prevent colleagues, or third parties working on our behalf, from participating in active or passive bribery or corruption, or from making facilitation payments.

In 2018, we strengthened several of the key tools and platforms that support our FCC activities and contributed to reducing financial crime across the sector through public-private information sharing partnerships in the UK, the US, Singapore and Hong Kong. We are a member of the United for Wildlife Financial Taskforce, which has been formed to create and deliver actionable intelligence to combat the illegal wildlife trade.

In 2018, 99.9 per cent of colleagues completed ABC training, 99.9 per cent completed anti-money laundering training and 99.9 per cent completed sanctions training.

+ For more, visit [sc.com/fightingfinancialcrime](https://sc.com/fightingfinancialcrime)

### Employees who completed anti-money laundering training in 2018

# 99.9%

### Employees who completed anti-bribery training in 2018

# 99.9%

### Respecting human rights

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

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



### Serious about carbon reduction

We have measured our energy use and greenhouse gas emissions since 2008. In 2018, we set ambitious new Science Based Targets to significantly reduce our carbon footprint over three time horizons from a 2017 baseline of 187,936 tonnes: 36 per cent to 121,000 tonnes by 2025; 55 per cent to 84,000 tonnes by 2030 and 90 per cent to 18,000 tonnes by 2050. Recognising the need for industry-wide solutions to climate change, we also joined the Science Based Targets Expert Advisory Group. Meeting these challenging targets will require efficiency improvements across our properties, including a review of fuel usage and a further increase in renewable energy sources.

## Stakeholders and responsibilities continued

### SOCIETY CONTINUED



In 2018, we continued to review and enhance our controls relating to modern slavery. Our 2018 Modern Slavery Statement details the actions we are taking as a result. These include reviewing how we approach allegations of modern slavery in our business relationships. We evolved our Modern Slavery Working Group into a wider Human Rights Working Group to support progress across the Group.

➤ [Read our 2018 Modern Slavery Statement at sc.com/modernslavery](https://sc.com/modernslavery)

#### Managing our environmental footprint

We aim to reduce the direct environmental impact of our operations, namely our branches and offices, which use paper, water and energy, and generate greenhouse gas emissions and produce non-hazardous waste. We do not produce material quantities of hazardous waste, and therefore do not measure or report on the production or handling of hazardous waste.

In 2008, we set long-term targets to reduce energy and water use by 2019. This year, we achieved our energy target for properties in temperate climates one year early. Overall, we reduced energy consumption by 45 per cent between 2008 and 2018 through measures including LED lighting, effective space management and more efficient use of fans, chillers and boilers.

We are committed to managing water responsibly and reduced water use by 57 per cent between 2008 and 2018. We achieved this through a range of initiatives including ultra-low flow water devices. Although we have made good progress, we are currently not on track to achieve our target of 72 per cent reduction by 2019. Recognising that achieving the last part of the target will be the most challenging, we are working across our properties to find innovative ways to achieve the target. We did not have any issues sourcing water that is fit for purpose in 2018.

We aim to minimise waste and continued to reduce plastic use by introducing bio-degradable containers and cutlery into our on-site restaurants. We also extended our re-useable cup initiative to other geographies including the US and the UAE. It has saved more than 500,000 single-use cups since 2017. Rather than send non-recyclable waste to landfill, we aim to compost it or use it in energy generation. In total, these measures resulted in 46 per cent of waste being recycled or reused in 2018 – up from 24 per cent in 2017.

#### Annual energy use of our property (kWh/m<sup>2</sup>/year)

##### Tropical climate

33% ↓ Since 2008



##### Temperate climate

35% ↓ Since 2008



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

### Essentials for girls' empowerment

In 2018, we co-authored a report with Dalberg Advisors that identified the eight essential elements for girls' economic empowerment. Released on International Women's Day, the report illustrates how elements such as freedom of movement, freedom from violence, and access to education, healthcare and contraception, must be met for girls to fulfil their economic potential. To succeed, girls need: more support to become employable; more men, boys and older women to champion them; more goods and services made for them; and more role models and support networks, such as those provided by Goal, our girls' empowerment programme.





We continue to identify ways to improve our environmental performance. In 2019, we will review the methodology used to measure our energy, greenhouse gas (GHG) emissions, water and waste. In addition to external assurance for our GHG emissions, we will conduct external assurance of waste and water performance data and increase monitoring of plastic usage to set more robust reduction targets.

+ Read the methodology for measuring our environmental performance at [sc.com/environment/criteria](https://sc.com/environment/criteria)

+ Read the independent assurance for our energy and greenhouse gases emissions, at [sc.com/environmentalassurance](https://sc.com/environmentalassurance)

### Investing in communities

We aim to create more inclusive economies by sharing our skills and expertise, and developing community programmes that transform lives. In 2018, we invested \$49.2 million in our communities. In addition, colleagues contributed more than 65,000 volunteering days.

Our donations are guided by our Group Sponsorship and Donations Policy. Country teams receive annual training on the policy, which is applied globally.

In 2018, we raised \$5.2 million through fundraising and Bank-matching for Seeing is Believing (SiB), our global initiative to tackle avoidable blindness and visual impairment and exceeded our \$100 million fundraising target two years early, raising \$103.6 million for SiB between 2003 and 2018. We will deliver SiB projects until the end of 2020 and will continue to support visually impaired people through our community programmes.

As we approached our SiB target, we engaged colleagues and external stakeholders to understand the current social and economic challenges facing our communities and how we can address these needs through our community programmes. We launched a new global initiative – Futuremakers by Standard Chartered – that aims to tackle inequality and promote greater economic inclusion. Our ambition is to raise \$50 million between 2019 and 2023, (through fundraising and Bank-matching) to empower the next generation to learn, earn and grow. We will deliver this through new and existing programmes in education, employability and entrepreneurship for disadvantaged young people.

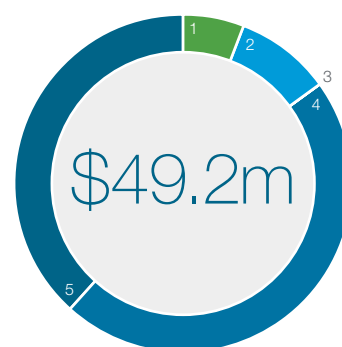
We will integrate our current financial education programmes into Futuremakers and build on Goal, our existing education programme to empower girls and young women through sport and life-skills training. Goal reached more than 100,000 girls and young women in 2018 and more than 480,000 girls between 2006 and 2018. We trained more than 111,000 young people on financial education in 2018 and over 5,400 entrepreneurs, of whom 90 per cent were women.

In 2019, we will focus on implementing Futuremakers by Standard Chartered across our markets.

### Our community expenditure 2018

1. Leverage <sup>1</sup>	5.9%
2. Management costs	9.1%
3. Gifts in kind	0.2%
4. Cash contributions	46.6%
5. Employee time (non-cash item)	38.2%

<sup>1</sup> Leverage data relates to the proceeds from staff and other fundraising activity



## Non-financial information statement

This table sets out where shareholders and stakeholders can find information about key non-financial matters in this report, in compliance with the non-financial reporting requirements contained in sections 414CA and 414 CB of the Companies Act 2006. Further disclosures are available on [sc.com](https://sc.com) and in our 2018 Sustainability Summary.

Reporting requirement	Where to read more in this report about our policies and impact (including risks, policy embedding, due diligence and outcomes)	Page
Environmental matters	<b>Stakeholders and responsibilities &gt; Society</b>	
	→ Sustainable and responsible business	47
	→ Managing environmental and social risks	48
	→ Case study: Serious about carbon reduction	49
	→ Managing our environmental footprint	50
	<b>Supplementary sustainability information</b>	
	→ Environment performance data <sup>1</sup>	380-382
	<b>Risk review and capital review</b>	
Employees	→ Principal uncertainties – climate change	215
	<b>Directors' report</b>	
	→ Environmental impact of our operations	131
	<b>Stakeholders and responsibilities &gt; Colleagues</b>	
	→ Engaging our colleagues	44
	→ Our commitment to wellbeing	44
	→ Developing our colleagues	44
	→ Learning as a lever for culture, capability and performance	45
	→ Embracing diversity to achieve our purpose	45
	→ Gender equality and gender pay gap	45
	<b>Stakeholders and responsibilities &gt; Society</b>	
	→ Speaking Up	48
Human rights	<b>Directors' report</b>	
	→ Board diversity	86
	→ Employee policies and engagement	129
Social matters	→ Health and Safety	130
	<b>Stakeholders and responsibilities &gt; Suppliers</b>	
	→ Suppliers	43
Anti-corruption and anti-bribery	<b>Stakeholders and responsibilities &gt; Society</b>	
	→ Respecting human rights	49
Description of business model	<b>Stakeholders and responsibilities &gt; Society</b>	
	→ Investing in communities	51
Non-financial KPIs	<b>Stakeholders and responsibilities &gt; Society</b>	
	→ Promoting good conduct	48
	→ Speaking Up	49
	→ Fighting financial crime	49
	<b>Group Chief Risk Officer's review</b>	38-41
	<b>Directors' report</b>	
	→ Political donations	126
	<b>Business model: A business model built on long-term relationships</b>	14-15
	<b>Stakeholders and responsibilities &gt; Colleagues</b>	
	→ Female representation	44
Principal risks and uncertainties	→ eNPS	45
	→ Gender diversity in senior roles	45
	→ Training on anti-bribery, anti-corruption and anti-money laundering	49
	→ Recommitment to the Code of Conduct	49
	<b>Society</b>	
	→ Sustainability Aspirations achieved or on track <sup>2</sup>	47
	→ Annual energy use of our properties	50
	→ Community expenditure	51
	→ Reach of community programmes	51
Principal risks and uncertainties	<b>Risk review and capital review</b>	
	→ Risk management approach	193
	→ Principal uncertainties	213

1 Visit [sc.com/environmentcriteria](https://sc.com/environmentcriteria) for our carbon emissions criteria and [sc.com/environmentalassurance](https://sc.com/environmentalassurance) for the Carbon Trust's Assurance Statement of our Scope 1 and 2 emissions

2 Performance against our 11 Sustainability Aspirations is reported in our Sustainability Summary available at [sc.com/sustainabilitysummary](https://sc.com/sustainabilitysummary)

# Viability statement

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

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

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

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

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

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

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

- Global slowdowns, including a China hard landing

- Sharp falls in world trade volumes
- Material and persistent declines in commodity prices
- Financial market turbulence

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

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

➤ Further information on stress testing is provided in the Risk management approach section (page 209)

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

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

The Board Risk Committee receives regular reports that inform them of the Group's key risks, as well as updates on the macroeconomic environment, geopolitical outlook, market developments, and regulatory updates in relation to capital, liquidity and risk. In 2018, the Committee had deeper discussions on a number of key topics including Korea – Geopolitical Risks, the Group's Commercial Real Estate Risk Strategy and Portfolio, increase in Turkish interest rates, Commodities, Credit and Portfolio Management, Commercial Banking Loan Impairments and Downgrades in 2017 and 2018, information and cyber security, the use of Cloud, Sensitivity to a strengthening US dollar, Concentration Risk across Africa in relation to Rising Sovereign Debt Levels, Forbearance Risk in relation to Refinancing Risk, Transition from LIBOR to risk-free rates, SC Ventures (the Group's financial technology investment entity) governance, IRB Models Status and Performance.

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

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

- The Group's business model (pages 14 to 15) and Strategy (pages 16 to 19)
- The Group's current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions are described in the client segment reviews and regional reviews (pages 21 to 29)
- An update on the key risk themes of the Group is discussed in the Group Chief Risk Officer's review, found in the Strategic report (pages 38 to 41)
- The Board Risk Committee section of the Director's report (pages 77 to 82)
- The Group's principal uncertainties, sets out the key external factors that could impact the Group in the coming year (page 41 and pages 213 to 217)
- The Group's Enterprise Risk Management Framework details how the Group identifies, manages and governs risk (pages 193 to 197)
- The Group's Risk profile provides an analysis of our risk exposures across all major risk types (page 198 to 212)
- The capital position of the Group, regulatory development and the approach to management and allocation of capital are set out in the Capital review (pages 218 to 223)

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2021.

**Our Strategic report from pages 01 to 53 has been reviewed and approved by the Board**



**Bill Winters**  
Group Chief Executive  
26 February 2019