

Standard Chartered Bank, Sri Lanka

Rupees Thousands

Item	INCOME STATEMENT	
	Current Period	Previous Period
	From 01/01/2017 to 31/12/2017 (Audited)	From 01/01/2016 to 31/12/2016 (Audited)
Interest income	11,389,167	8,957,823
Interest expense	3,139,548	2,006,725
Net Interest income	8,249,619	6,951,098
Fees and Commission income	2,037,743	1,750,985
Fees and Commission expenses	(115,625)	(78,796)
Net fee and Commission income	1,922,118	1,672,189
Net gain/(loss) from trading	2,162,662	2,100,166
Net gain/(Loss) from financial instruments designated at fair value through profit or loss	473,292	71,416
Net gain/(Loss) from financial investments	48,987	-
Other operating income(net)	54,329	(141,803)
Total operating income	12,911,007	10,653,066
Impairment for Loans and other losses		
Individual impairment	341,823	612,053
Collective impairment	23,001	(796)
Others	-	-
Net operating income	12,546,183	10,041,809
Personnel expenses	2,092,629	1,883,428
Depreciation and amortisation	164,132	155,025
Other expenses	1,368,144	1,172,244
Operating profit/(loss) before value added tax (VAT) & NBT	8,921,278	6,831,112
VAT & NBT on financial services	1,655,676	1,086,831
Operating profit/(loss) after value added tax (VAT) & NBT	7,265,602	5,744,281
Share of profits of associates and joint ventures	-	-
Profit/(Loss) before tax	7,265,602	5,744,281
Tax expenses	2,308,488	1,637,649
Profit/(Loss) for the period	4,957,114	4,106,632
Profit attributable to:		
Owners of the parent	4,957,114	4,106,632
Non-controlling interests	-	-
	4,957,114	4,106,632
Earnings per share		
Basic earnings per ordinary share	-	-
Diluted earnings per ordinary share	-	-

Standard Chartered PLC

US \$m

Item	CONSOLIDATED INCOME STATEMENT	
	Current Period	Previous Period
	From 01/01/2017 to 31/12/2017 (Audited)	From 01/01/2016 to 31/12/2016 (Audited)
Interest Income	14,435	13,010
Interest Expense	(6,254)	(5,216)
Net interest income	8,181	7,794
Fees and commission income	3,942	3,671
Fees and commission expense	(430)	(440)
Net trading income	1,527	1,886
Other operating income	1,205	1,149
Non-interest income	6,244	6,266
Operating income	14,425	14,060
Staff costs	(6,758)	(6,303)
Premises costs	(823)	(797)
General administrative expenses	(2,007)	(2,372)
Depreciation and amortisation	(829)	(739)
Operating expenses	(10,417)	(10,211)
Operating profit before impairment losses and taxation	4,008	3,849
Impairment losses on loans and advances and other credit risk provisions	(1,362)	(2,791)
Other impairment		
Goodwill impairment	(320)	(166)
Other	(179)	(446)
Profit/(Loss) from associates and joint ventures	268	(37)
Profit before taxation	2,415	409
Taxation	(1,147)	(600)
Profit/(Loss) for the year	1,268	(191)
Profit/(Loss) Attributable to:		
Non-controlling interests	49	56
Parent company shareholders	1,219	(247)
Profit/(Loss) for the year	1,268	(191)
Earnings per share:		
Basic earnings/(loss) per ordinary share	23.5	(14.5)
Diluted earnings/(loss) per ordinary share	23.3	(14.5)

Standard Chartered Bank, Sri Lanka

Rupees Thousands

Item	STATEMENT OF FINANCIAL POSITION	
	Current Period	Previous Period
	As at 31/12/2017 (Audited)	As at 31/12/2016 (Audited)
Assets		
Cash and cash equivalents	9,065,723	6,886,081
Balance with Central Bank	4,157,993	3,651,548
Placements with banks	29,957,613	26,249,651
Derivative financial Instruments	1,492,680	749,113
Other financial assets held-for-trading	1,758,455	4,775,801
Financial assets designated at fair value through Profit and loss	-	-
Loans and receivables to banks	5,305,090	8,768,830
Loans and receivables to other customers	80,109,582	67,594,980
Financial investments - available-for-sale	26,235,643	24,159,083
Financial investments - held to maturity	-	-
Investments in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, Plant and Equipment	586,878	703,551
Investment properties	-	-
Goodwill and intangible assets	-	-
Deferred tax assets	8,349	129,502
Current Tax Receivable	-	-
Other Assets	3,613,172	3,164,209
Total Assets	162,291,178	146,832,349
Liabilities		
Due to banks	14,439,370	4,586,129
Derivative financial instruments	1,456,758	733,609
Other financial liabilities held-for-trading	-	-
Financial liabilities designated at fair value through profit and loss	-	-
Due to other customers	107,677,939	110,341,360
Other borrowings	503,945	112,330
Debt securities issued	-	-
Current tax liabilities	1,342,892	965,353
Deferred tax liabilities	-	-
Other provisions	21,951	21,439
Other liabilities	5,664,340	3,850,762
Due to subsidiaries	-	-
Subordinated term debts	-	-
Total Liabilities	131,107,195	120,610,982
Equity		
Stated capital/Assigned capital	3,317,705	3,317,705
Statutory reserve fund	1,895,198	1,796,056
Retained earnings	22,111,720	17,427,608
Other reserves	3,859,360	3,679,998
Total shareholders' equity	31,183,983	26,221,367
Non-controlling interest	-	-
Total Equity	31,183,983	26,221,367
Total equity and liabilities	162,291,178	146,832,349
Contingent liabilities and commitments		
Memorandum information		
Number of Employees	686	639
Number of Branches	8	8

Standard Chartered PLC

US \$m

Item	CONSOLIDATED BALANCE SHEET	
	Current Period	Previous Period
	As at 31/12/2017 (Audited)	As at 31/12/2016 (Audited)
ASSETS		
Cash and Balances at Central Banks	58,864	70,706
Financial Assets held at Fair Value through Profit or Loss	27,564	20,077
Derivative Financial Instruments	47,031	65,509
Loans and Advances to Banks	57,494	54,538
Loans and Advances to Customers	248,707	226,693
Reverse repurchase agreements and other similar secured lending	54,275	44,097
Investment Securities	117,025	108,972
Other Assets	33,490	36,940
Current Tax Assets	491	474
Prepayments and Accrued Income	2,307	2,238
Interests in Associates and Joint Ventures	2,307	1,929
Goodwill and Intangible Assets	5,013	4,719
Property, Plant and Equipment	7,211	7,252
Deferred Tax Assets	1,177	1,294
Assets Classified as held for sale	545	1,254
Total Assets	663,501	646,692
LIABILITIES		
Deposits by Banks	30,945	32,872
Customer Accounts	370,509	338,185
Repurchase agreements and other similar secured borrowing	39,783	37,692
Financial Liabilities held at Fair Value through Profit or Loss	16,633	16,598
Derivative Financial Instruments	48,101	65,712
Debt Securities in Issue	46,379	46,700
Other Liabilities	35,257	33,146
Current Tax Liabilities	376	327
Accruals and Deferred Income	5,493	5,223
Subordinated Liabilities and Other Borrowed Funds	17,176	19,523
Deferred Tax Liabilities	404	353
Provision for Liabilities and Charges	183	213
Retirement Benefit Obligations	455	525
Liabilities included in disposal group held for sale	-	965
Total Liabilities	611,694	598,034
EQUITY		
Share Capital and Share premium account	7,097	7,091
Other Reserves	12,767	11,524
Retained earnings	26,641	25,753
Total Parent Company Shareholders' Equity	46,505	44,368
Other equity instruments	4,961	3,969
Total Equity excluding non-controlling interests	51,466	48,337
Non-controlling interests	341	321
Total Equity	51,807	48,658
Total equity and liabilities	663,501	646,692
COMMITMENTS AND CONTINGENCIES	224,875	216,413

Standard Chartered Bank, Sri Lanka

Rupees Thousands

Item	COMPREHENSIVE INCOME STATEMENT	
	Current Period	Previous Period
	From 01/01/2017 to 31/12/2017 (Audited)	From 01/01/2016 to 31/12/2016 (Audited)
Profit/(Loss) for the period	4,957,114	4,106,632
Other Comprehensive income, net of tax		
Changes in revaluation surplus	-	-
Actuarial gains and losses on defined benefit plans	(241,472)	125,454
Gains and losses from translating the financial statements of FCBU	49,218	93,681
Gains and losses on re-measuring available-for-sale financial assets	180,756	20,610
Gains and losses on cash flow hedges	-	-
Others	-	-
Share of profits of associates and joint ventures	-	-
Tax expense/(income) relating to components of other comprehensive income	17,000	(7,657)
Other comprehensive income for the period, net of taxes	5,502	232,088
Total comprehensive income for the period	4,962,616	4,338,720
Attributable to:		
Owners of the parent	4,962,616	4,338,720
Non-controlling interests	-	-
	4,962,616	4,338,720

Standard Chartered PLC

US \$m

Item	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	Current Period	Previous Period
	From 01/01/2017 to 31/12/2017 (Audited)	From 01/01/2016 to 31/12/2016 (Audited)
Profit/(Loss) for the year	1,268	(191)
Other comprehensive (loss)/income:		
Items that will not be reclassified to income statement:		
Own credit losses on financial liabilities designated at fair value through profit or loss	(249)	(372)
Actuarial gain/(losses) on retirement benefit obligations	32	(105)
Taxation relating to components of other comprehensive income	(21)	32
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations: Net gains/(losses) taken to equity	1,637	(817)
Net (losses)/gains on net investment hedges	(288)	30
Share of other comprehensive loss from associates and joint ventures	(1)	(11)
Available-for-sale investments: Net valuation gains taken to equity	369	48
Reclassified to income statement	(233)	(188)
Cash flow hedges: Netgains/(losses) taken to equity	35	(79)
Reclassified to income statement	11	57
Taxation relating to components of other comprehensive income/(loss)	2	(8)
Other comprehensive income/(loss) for the year, net of taxation	1,294	(1,413)
Total comprehensive income/(loss) for the year	2,562	(1,604)
Total comprehensive (loss)/income attributable to:		
Non-controlling interests	50	(40)
Parent company shareholders	2,512	(1,649)
	2,562	(1,604)

Standard Chartered Bank, Sri Lanka

Rupees Thousands

Item	STATEMENT OF CASHFLOW	
	Current Period	Previous Period
	31/12/2017 (Audited)	31/12/2016 (Audited)
Cash flows from operating activities		
Profit before tax	7,265,602	5,744,281
Adjustment for:		
Depreciation and amortisation	164,132	155,025
Net impairment loss on loans and advances	364,824	611,257
Net interest income	(8,249,619)	(6,951,098)
Provision for employee benefits	40,205	46,893
Expected loss on derivative financial instruments	25,283	55,001
Unrealized loss/(gain) on derivative financial instruments	(20,418)	297,018
(Gain)/Loss on sale of property, plant and equipment	(6,797)	(16,998)
	(416,788)	(58,621)
Change in Statutory Deposits with Central Bank of Sri Lanka (CBSL)	(506,445)	(654,013)
Change in placements with banks	6,691,263	(14,395,983)
Change in group balances receivable	(10,399,225)	(635,347)
Change in loans and receivables to banks	3,463,740	(3,693,974)
Change in loans and receivables to other customers	(12,923,576)	(15,391,629)
Change in other assets	(526,146)	(867,542)
Change in due from banks	10,001	(22,372)
Change in other borrowings	391,615	(250,190)
Change in group balance payable	9,843,240	(826,495)
Change in due to other customers	(2,815,161)	31,951,702
Change in other liabilities and provisions	1,758,899	411,640
Exchange gain impact on translation of FCBU	49,218	93,681
Interest received	11,085,359	8,526,570
Interest paid	(2,987,808)	(1,945,701)
Tax paid	(1,323,685)	(380,181)
Super Gain Tax Paid	-	-
Employee benefit paid	(174,616)	(139,237)
Net cash generated from/(used in) operating activities	1,219,885	1,722,308
Cash flows from investing activities		
Net Sale/(Acquisition) of Sri Lanka Government Securities Held for Trading	3,017,346	(1,357,662)
Net Acquisition of Sri Lanka Government Securities Available for Sale	(1,895,804)	5,663,216
Acquisition of property, plant and equipment	(193,325)	(238,698)
Proceeds from the sale of property, plant and equipment	31,540	25,213
Net cash (used in)/from investing activities	959,757	4,092,069
Cash flows from financing activities		
Amounts transferred to head office	-	(3,366,506)
Net cash from financing activities	-	(3,366,506)
Net increase/(decrease) in cash & cash equivalents	2,179,642	2,447,871
Cash and cash equivalents at the beginning of the period	6,886,081	4,438,210
Exchange difference in respect of cash & cash equivalent	-	-
Cash and cash equivalents at the end of the period	9,065,723	6,886,081

Standard Chartered PLC

US \$m

Item	CONSOLIDATED STATEMENT OF CASHFLOW	
	Current Period	Previous Period
	31/12/2017 (Audited)	31/12/2016 (Audited)
Cash flows from operating activities		
Profit before taxation	2,415	409
Adjustments for Non-cash items and other adjustments included within income statement	3,241	4,615
Change in operating assets	(13,625)	(8,286)
Change in operating liabilities	5,819	13,080
Contributions to defined benefit schemes	(143)	(98)
UK and overseas taxes paid		

Standard Chartered PLC

US \$m

	Assets at fair value					Assets at amortised cost		Total
	Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Available for sale	Total financial assets at fair value	Loans and receivables	Held to maturity	
Assets								
Cash and balances at central banks	-	-	-	-	-	58,864	-	58,864
Financial assets held at fair value through profit or loss								
Loans and advances to banks	320	-	2,252	-	2,572	-	-	2,572
Loans and advances to customers	1,689	-	1,229	-	2,918	-	-	2,918
Reverse repurchase agreements and other similar secured lending	454	-	458	-	912	-	-	912
Debt Securities and other eligible bills	19,318	-	393	-	19,711	-	-	19,711
Equity shares	718	-	733	-	1,451	-	-	1,451
Derivative financial instruments	22,499	-	5,065	-	27,564	-	-	27,564
Loans and advances to banks	46,333	698	-	-	47,031	-	-	47,031
Loans and advances to customers	-	-	-	-	-	57,494	-	57,494
Reverse repurchase agreements and other similar secured lending	-	-	-	-	-	248,707	-	248,707
Investment securities								
Debt Securities and other eligible bills	-	-	-	109,161	109,161	2,630	4,340	116,131
Equity shares	-	-	-	894	894	-	-	894
Other assets	-	-	-	110,055	110,055	2,630	4,340	117,025
Assets held for sale	-	-	466	-	466	29,922	-	29,922
Total at 31st December 2017 (Audited)	68,832	698	5,531	110,055	185,116	451,954	4,340	641,410
Cash and balances at central banks	-	-	-	-	-	70,706	-	70,706
Financial assets held at fair value through profit or loss								
Loans and advances to banks	267	-	1,296	-	1,563	-	-	1,563
Loans and advances to customers	614	-	2,241	-	2,855	-	-	2,855
Reverse repurchase agreements and other similar secured lending	322	-	497	-	819	-	-	819
Debt Securities and other eligible bills	13,310	-	354	-	13,664	-	-	13,664
Equity shares	425	-	751	-	1,176	-	-	1,176
Derivative financial instruments	14,938	-	5,139	-	20,077	-	-	20,077
Loans and advances to banks	64,433	1,076	-	-	65,509	-	-	65,509
Loans and advances to customers	-	-	-	-	-	54,538	-	54,538
Reverse repurchase agreements and other similar secured lending	-	-	-	-	-	226,693	-	226,693
Investment securities								
Debt Securities and other eligible bills	-	-	-	104,308	104,308	3,106	170	107,584
Equity shares	-	-	-	1,388	1,388	-	-	1,388
Other assets	-	-	-	105,696	105,696	3,106	170	108,972
Assets held for sale	-	-	-	-	-	33,942	-	33,942
Total at 31 December 2016 (Audited)	79,371	1,076	5,139	105,696	191,282	434,184	170	625,636

US \$m

	Liabilities at fair value					Amortised Cost	Total
	Trading	Derivatives held for hedging	Designated at fair value through profit or loss	Total financial assets at fair value			
Financial liabilities held at fair value through profit or loss							
Deposits by banks	-	-	737	737	-	737	
Customer accounts	-	-	5,236	5,236	-	5,236	
Debt securities in issue	-	-	7,023	7,023	-	7,023	
Short Positions	3,637	-	-	3,637	-	3,637	
Derivative financial instruments	3,637	1,543	12,996	16,633	-	16,633	
Deposits by banks	-	-	-	-	30,945	30,945	
Customer accounts	-	-	-	-	370,509	370,509	
Repurchase agreements and other similar secured borrowing	-	-	-	-	39,783	39,783	
Debt securities in issue	-	-	-	-	46,379	46,379	
Other Liabilities	-	-	-	-	34,982	34,982	
Subordinated liabilities and other borrowed funds	-	-	-	-	17,176	17,176	
Liabilities included in disposal group held for sale	-	-	-	-	-	-	
Total at 31st December 2017 (Audited)	50,195	1,543	12,996	64,734	539,774	604,508	
Financial liabilities held at fair value through profit or loss							
Deposits by banks	-	-	718	718	-	718	
Customer accounts	-	-	6,447	6,447	-	6,447	
Debt securities in issue	-	-	5,670	5,670	-	5,670	
Short Positions	3,763	-	-	3,763	-	3,763	
Derivative financial instruments	3,763	-	12,835	16,598	-	16,598	
Deposits by banks	62,917	2,795	-	65,712	-	65,712	
Customer accounts	-	-	-	-	32,872	32,872	
Repurchase agreements and other similar secured borrowing	-	-	-	-	338,185	338,185	
Debt securities in issue	-	-	-	-	37,692	37,692	
Other Liabilities	-	-	-	-	46,700	46,700	
Subordinated liabilities and other borrowed funds	-	-	-	-	32,958	32,958	
Liabilities included in disposal group held for sale	-	-	-	-	19,523	19,523	
Total at 31 December 2016 (Audited)	66,680	2,795	12,835	82,310	508,888	591,198	

Standard Chartered Bank, Sri Lanka

Rupees Thousands

Loans and Receivables to Other Customers	Current Period as at 31/12/2017 (Audited)	Previous Period as at 31/12/2016 (Audited)
Gross loans and receivables	81,146,901	68,429,313
(Less): Individual impairment	(701,944)	(525,688)
Collective impairment	(335,375)	(308,645)
Net loans and receivables including those designated at fair value through profit or loss	80,109,582	67,594,980
(Less): Loans and receivables designated at fair value through profit or loss	-	-
Net loans and receivables	80,109,582	67,594,980

Loans and Receivables to Other Customers - By products	Current Period as at 31/12/2017 (Audited)	Previous Period as at 31/12/2016 (Audited)
By product-Domestic Currency		
Overdrafts	9,657,297	13,169,349
Term loans	18,326,829	14,780,922
Lease rentals receivable	-	-
Credit cards	6,322,299	5,582,137
Pawning	-	-
Other loans	17,617,518	13,397,579
Sub Total	51,923,943	46,929,987
By product-Foreign Currency		
Overdrafts	1,328,559	1,064,761
Term loans	10,669,419	8,636,740
Other loans	17,224,980	11,797,826
Sub Total	29,222,958	21,499,327
Total	81,146,901	68,429,314

Movements in Individual and Collective Impairment during the year for Loans and Receivables to Other Customers	Current Period as at 31/12/2017 (Audited)	Previous Period as at 31/12/2016 (Audited)
Individual impairment		
Opening balance	525,688	17,884
Charge/(Write back) to income statement	341,823	612,053
Write-off during the period	(165,567)	(104,249)
Other movements	-	-
Closing balance	701,944	525,688
Collective impairment		
Opening balance	308,645	308,634
Charge/(Write back) to income statement	23,001	(796)
Other movements	3,729	807
Closing balance	335,375	308,645
Total impairment	1,037,319	834,333

Due to Other Customers - By product	Current Period as at 31/12/2017 (Audited)	Previous Period as at 31/12/2016 (Audited)
By product-Domestic Currency		
Demand deposits (current accounts)	19,236,915	12,646,723
Savings deposits	17,181,321	20,088,395
Fixed deposits	28,612,280	19,846,507
Other deposits	1,984,247	2,526,747
Sub Total	67,014,763	55,108,372
By product- Foreign Currency		
Demand deposits (current accounts)	18,125,699	18,090,491
Savings deposits	12,945,277	29,608,761
Fixed deposits	3,365,833	2,795,974
Other deposits	6,226,367	5,377,579
Sub Total	40,663,176	55,872,805
Total	107,677,939	110,981,177

Standard Chartered Bank, Sri Lanka

Rupees Thousands

ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS							
As at 31/12/2017 (Audited)	HFT	Designated at fair value	HTM	Amortised cost	AFS	Hedging	Total
ASSETS							
Cash and cash equivalents	-	-	-	9,065,723	-	-	9,065,723
Balances with central banks	-	-	-	4,157,993	-	-	4,157,993
Placements with banks	-	-	-	29,957,613	-	-	29,957,613
Derivative financial instruments	1,492,680	-	-	-	-	-	1,492,680
Other financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Loans and receivables to banks	-	-	-	5,305,090	-	-	5,305,090
Loans and receivables to other customers	-	-	-	80,109,582	-	-	80,109,582
Financial investments	1,758,455	-	-	-	26,235,643	-	27,994,098
Total financial assets	3,251,135	-	-	128,596,001	26,235,643	-	158,082,779
LIABILITIES							
Due to banks	-	-	-	14,439,370	-	-	14,439,370
Derivative financial instruments	1,456,758	-	-	-	-	-	1,456,758
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Due to other customers	-	-	-	107,677,939	-	-	107,677,939
Other borrowings	-	-	-	503,945	-	-	503,945
Debt securities issued	-	-	-	-	-	-	-
Total financial liabilities	1,456,758	-	-	122,621,254	-	-	124,078,012
Held for trading - HFT							
Designated at fair value through profit or loss - Designated at fair value							
Held-to-maturity - HTM							
Available-for-sale - AFS							

Standard Chartered PLC

US \$m

Loans and Advances to Customers	Current Period as at 31/12/2017 (Audited)	Previous Period as at 31/12/2016 (Audited)
Loans and advances to customers	256,981	235,902
Individual impairment provision	(5,237)	(5,667)
Portfolio impairment provision	(465)	(687)
	251,279	229,548
Of which: loans and advances held at fair value through profit or loss	(2,572)	(2,855)
Net loans and receivables	248,707	226,693

Due to Other Customers and Banks - By Product	Current Period as at 31/12/2017 (Audited)	Previous Period as at 31/12/2016 (Audited)
Customer Accounts	370,509	338,185
Customer Accounts included within:		
Financial liabilities held at fair value through profit or loss	5,236	6,447
Total	375,745	344,632

CERTIFICATION

The financial information summarised above for the twelve months ended 31st December 2017 is drawn up from the audited accounts of the Bank, prepared according to the Sri Lanka Accounting Standards (SLFRS/LKAS).

To facilitate comparison, previous year's figures have been re-stated to conform to current classification and presentation. We, the undersigned, being the Chief Executive Officer and the Financial Controller of Standard Chartered Bank certify jointly that the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka. These accounts were audited by KPMG and in their report of 28th March 2018, they have expressed an unqualified opinion, subject to a note of emphasis referring to (a) a writ application filed by the Bank challenging the notice for under collection and remittance of Debit Tax sent by the Commissioner of Inland Revenue, and (b) the outcome of an acquisition by the State of a freehold property owned by the Bank.

Jim McCabe
(Sgd) Chief Executive Officer
28/03/2018

Nishani Ariyawansa
(Sgd) Financial Controller
28/03/2018

Corporate Governance Statement

Standard Chartered is a leading international banking group with over 150 years of history in some of the world's most dynamic markets. Standard Chartered banks on people and companies driving investment, trade, and the creation of wealth across Asia, Africa and the Middle East. The Bank has dual primary listing on the London and Hong Kong Stock Exchanges, and ranks among the companies listed in the FTSE 100 by market capitalisation. Standard Chartered's roots in trade finance and commercial banking have been at the core of its success throughout its history. The Bank's brand promise, Here for good, is the cornerstone of the commitment to clients, shareholders and the countries in which it operates.

Our integrated approach to Corporate Governance

Standard Chartered Bank's culture of transparency and openness cascades down the Group structure, through both subsidiaries and branches, and maintains a consistent approach to overall governance. During the year, respective regional Chief Executive Officer offices managed governance across the Group's four geographic regions. In addition to clients, the Bank's stakeholders include governments, regulators, shareholders, employees, suppliers and the communities in which it operates.

The Bank believes that it is vital for companies to support effective corporate governance. Every employee is expected to be responsive and vigilant, and conform to the Group's brand promise, Here for good, becoming part of a culture that is open and challenging, and demonstrates the necessary skills, values and experience commensurate with responsibilities.

The Standard Chartered Group Board

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations. The Board considers the impact of its decisions and its responsibilities to all of the Group's stakeholders, including the Group's employees, shareholders, regulators, clients, suppliers, the environment and the communities in which it operates.

The Board comprises of directors with a broad range of skills, experience, backgrounds and perspectives. Nine directors on the Board have lived and/or worked across our key markets of Asia, Africa or the Middle East and over half of the independent non-executive directors have a combination of banking, finance, risk and accounting experience.

Ngozi Okonjo-Iweala will function as an Independent Non-Executive Director, with effect from November 2017, providing the Chairman with additional support and capacity in representing the Group. The Bank remains mindful of the need to ensure that the tenure of our non-executive directors is well balanced.

Diversity and Inclusion

Standard Chartered has a distinctive footprint and a long history of diverse board membership. This mix of skills, knowledge, experience and cultural difference enriches the Board discussion and contributes towards a high performing and effective Board. Good progress continues to be made in the area of gender diversity, since the Bank set its ambition to increase the proportion of women to 25 per cent by 2017. Currently, 30 per cent of the Board comprises of women.

Focus on Strategic Issues

The Bank is realistic regarding the complexity of the challenges that lie ahead, for the Group and the global banking sector as a whole. Significant regulatory uncertainty will persist as policymakers grapple with the task of harmonising rules and enhancing the control environment while allowing banks to add value to the economies they serve and generate sustainable returns to shareholders. Meanwhile, economic conditions in the markets in which the Bank operates are expected to remain uncertain. The business plan set out in 2015 to execute the Bank's strategy remains sensible and appropriate for the prevailing conditions. Investing in technology as a catalyst for better client experiences and stronger controls is the right way forward.

The Standard Chartered Group now has a stronger capital base and is more resilient to headwinds. The Bank will remain focused on delivering the plan while being willing to adapt where necessary as conditions evolve. Having substantially strengthened foundations, the Bank recognises the importance of re-energising growth in income together with strong cost and risk management so that returns to shareholders can be restored to a more appropriate and sustainable level.

The Bank has implemented significant improvements to its client coverage model in Corporate & Institutional Banking and is transforming its Retail Banking business to a more digital delivery model. The Bank has repositioned its Commercial Banking business for longer-term sustainable growth and better returns. The refreshed organisational structure of the Group is now firmly embedded, with local management now better able to influence the delivery of the Group's products and services while leveraging the Bank's strong central capabilities.

Financial Reporting

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Group's published financial statements and formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements and accounting issues contained in them.

The Group Finance team and country reporting teams perform analytical procedures, ensuring compliance with accounting standards, legal and regulatory matters in relation to financial reporting and interact on a regular basis to evaluate, manage and resolve relevant matters relating to financial reporting, including significant accounting policies and financial reporting judgements and changes in estimates. All financial information submitted by country reporting teams is certified by the in-country Financial Controller.

The Group Finance Team is responsible to ensure that the Group's accounting policies and practices are appropriate, review the clarity and completeness of the disclosures made within the published financial statements. The Team also overlooks any changes in disclosures arising from best practices in applying the UK Finance Code for Financial Reporting Disclosure, Financial Reporting Council (FRC) publications on aspects of UK reporting, and bilateral discussions between the PRA and UK Finance (formerly the British Bankers Association), while monitoring the integrity of the Group's published financial statements and formal announcements relating to the Group's financial performance, and reviewing the significant financial judgements and accounting issues.

Risk Management

Effective risk management is essential to consistent and sustainable performance for all of the Bank's stakeholders and is therefore a central part of the financial and operational management of the Group. The Group adds value to clients and therefore the communities in which they operate, generating returns for shareholders by taking and managing risk. Through Standard Chartered's Risk Management Framework the Bank manages enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk appetite.

It is imperative that risks are identified, measured and managed in a holistic manner and that the risk and compliance function supports and enables sustainable performance for the Group despite the uncertainties in the external environment. Processes are ongoing to identify, evaluate and manage the significant risks that are faced. The Board is satisfied that this process constitutes a robust assessment of all of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board Risk Committee, on behalf of the Board, has considered the adequacy of the risk management arrangements of the Group and has sought and received assurance that the risk management systems in place are satisfactory with regard to the Group's profile and strategy.

The Group's business plans to execute its strategy are fully aligned with its tightened risk appetite and both have appropriate Board level oversight. The Bank has a strong capital and liquidity position and a robust risk governance structure managed by an experienced senior team which enables the support of the Bank's clients.

Brand and Values

Standard Chartered remains passionate about advancing the Group's conduct agenda. The Bank has made a lot of progress in 2016 and invested heavily to build effective and sustainable systems and infrastructure to ensure it can play a leading role in discovering and disrupting financial crime. The Bank has created a new platform at sc.com/fightingfinancialcrime to demonstrate the contribution that Standard Chartered and others are making. The Bank has sharpened its focus on all aspects of conduct, not simply on combating financial crime, and has taken appropriate action where conduct has been found to be inconsistent with its standards. The Bank is focusing on the behaviours, values and principles that individuals follow to enable each employee to make the right decisions and exercise good judgement. The Bank does this because it is the right thing to do, and because it makes for a stronger and more sustainable entity, and reinforces stakeholder confidence.

Sustainability

The Bank collaborates with its clients and partners to promote social and economic development by financing key sectors of the economy that drive sustainable growth, minimising the impact of lending and operations on the environment and investing in communities. Under the Group's Sustainability agenda, a number of issues were reviewed including, the Group's approach to environmental and social risk management, which included the work underway to refresh the Group's Position Statements. The Committee welcomed the review being undertaken by management to ensure that the topics and sectors being covered by the Position Statements are aligned to the Group's business portfolio and are reflective of the Group's Risk Appetite.

Client Focus

Standard Chartered took a series of measures to put clients at the heart of the business and invested heavily in improving their experience in each of the four client segments. For example, in Corporate & Institutional Banking, the Bank prioritised banking the end-to-end supply chain of clients and improved digital operations; in Retail Banking, video banking was launched, including voice biometric technology, and offered clients innovative new payment options; in Commercial Banking, the Bank improved the client on-boarding process and turnaround time, and focused on banking clients' networks; and in Private Banking, the Wealth Management proposition was enhanced, and the account opening process simplified. Standard Chartered is investing to make the Bank a simpler, faster and better organisation, focusing on technology innovation, process streamlining and faster turnaround times.

Standard Chartered is increasingly recognised as an innovator and the Bank can leverage its innovation to generate higher returns over the coming years.

Government and Regulatory Relationships

Standard Chartered is committed to complying with all legislation, rules and other regulatory requirements applicable to its businesses and operations in the jurisdictions within which the Bank operates. Compliance with legal and regulatory frameworks across the 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.

The Board, supported by the Brand, Values and Conduct Committee, is responsible for overseeing the Group's approach to its main government and regulatory relationships, focusing on the quality of these relationships and the engagement in place. On a day-to-day basis, the Compliance and Public Affairs functions are responsible for identifying changes in the legal and regulatory environment, ensuring that the Bank complies with all requirements, and help to manage relationships.

The Bank actively engages 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 markets. The Bank complies with all relevant transparency requirements and discloses information about its political activities.

Standard Chartered's engagement with governments and regulators is through ongoing dialogue, submission of responses to formal consultations, and by joining and participating in industry working groups.

The above is a selective extract from the Group's Annual Report. The full report is available for download at www.sc.com