

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 restructuring¹ 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 perennial³ 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 assets⁴ 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

- 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

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 buyers² (2017: 43) and 2,625 suppliers² (2017: 2,099) on-boarded

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

- 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

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

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-lite² 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



Note 1: Includes contingent liabilities

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

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 RWA¹ 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.



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

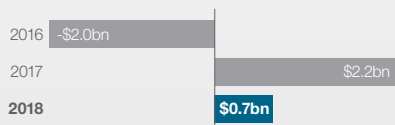


Net new money

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

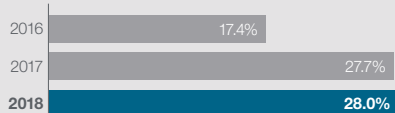


Net client score for ease of doing business

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.

