Standard Chartered Bank

Reference Number ZC18

Directors' Report and Financial Statements

31 December 2020

Incorporated in England with limited liability by Royal Charter 1853
Principal Office: 1 Basinghall Avenue, London, EC2V 5DD, England

Contents

Standard Chartered Bank 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.

The following are company designations as described in the document:
Standard Chartered Bank Group (Group) – being Standard Chartered Bank and its subsidiaries
Standard Chartered PLC Group (PLC Group) – being the ultimate parent and its subsidiaries
Standard Chartered Bank (Company) – being the standalone Bank legal entity
Standard Chartered PLC (PLC) – being the standalone legal entity of the ultimate parent

Responding to COVID-19

In response to the COVID-19 pandemic, Standard Chartered Bank and its parent Group committed to providing $1 billion in not-for-profit loans to help finance companies that supply goods and services to help in the battle with COVID-19. By year end, $579 million had been credit approved globally by Standard Chartered PLC Group, with $450 million of this in Standard Chartered Bank markets.

We also created a COVID-19 global charitable fund to provide emergency support – and longer term assistance – for the communities most impacted by the pandemic, with more than $22 million dispersed for relief in Standard Chartered Bank markets.

About this report

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

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

For more information please visit sc.com

linkedin.com/company/standard-chartered-bank

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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.

All disclosures in the Strategic Report, Directors' Report and the Risk Review and Capital Review are unaudited unless otherwise stated.

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

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 Bank is incorporated in England and Wales with limited liability, and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards.

Delivering our strategy

We have continued to make good progress against the strategic priorities we laid out in February 2019. As we accelerate our strategy, we have refined our focus onto four strategic priorities and three enablers (pages 15 to 16). We believe this new framework will enable us to focus on the key areas needed to transform our bank. We measure our progress against Group key performance indicators (KPIs), a selection of which are below:

FINANCIAL KPIs AND MEASURES

Underlying basis

Return on tangible equity

0.4%

(370)bps

Read more on page 21

Operating income

$9,285m

(2)%

Read more on page 21

Profit before tax

$1,191m

(43)%

Read more on page 25

Statutory basis

Return on tangible equity

(2.0)%

(420)bps

Read more on page 21

Operating income

$9,236m

(2)%

Read more on page 24

Profit before tax

$536m

(69)%

Read more on page 21

CAPITAL KPIs

Common Equity Tier 1 ratio

12.7%

32bps

Read more on page 21

NON-FINANCIAL KPIs

Diversity and inclusion: Women in senior roles

27.0%

1%

Basis point (bps) and percentage movements are in relation to 31 December 2019, with brackets representing negative movements.

Our business

Standard Chartered Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and by the Financial Conduct Authority (FCA). The PRA is the consolidated supervisor in respect of the Group (of which PLC is the ultimate parent).

Standard Chartered Bank is a material subsidiary of the PLC Group for the purposes of the Bank of England led single point of entry preferred resolution strategy for the PLC Group. The Group is a core part of, and critical provider of essential services to the PLC Group and is fundamental to the delivery of the PLC Group's purpose, franchise and strategy.

Clients	The Group remains the largest CIB origination hub supporting a significant part of CIB revenues and is key to the global network proposition The Group is the relationship hub for the majority of key CIB clients, particularly Organisation for Economic Co-operation and Development (OECD) clients The Group holds the majority of the PLC Group's corporate and financial institutions deposits, a significant part of the PLC Group's USD funding base
Capabilities	The Group holds key licenses and hosts infrastructure vital for the global franchise such as global USD & EUR clearing The Group is the main Financial Markets (FM) booking centre supporting the majority of global FM revenues The Group remains a main access point to high quality USD funding
Critical infrastructure	The Group is the key liquidity management centre: holding the majority of the PLC Group's high-quality liquid assets for regulatory purposes The Group provides functional support on a global basis The Group operates global business services hubs for the benefit of the PLC Group including shared service centres and centres of excellence
Investors	The Group's UK domicile underpins a unique investor proposition: emerging markets access from a UK regulated platform A significant number of PLC Group's equity and debt investors are based in the Group's footprint
Recovery and resolution	Standard Chartered Bank is the largest material subsidiary for the purposes of minimum requirement for own funds and eligible liabilities (MREL) and total loss-absorbing capital (TLAC) The Group is critical to the delivery of capital and liquidity generating management actions in PLC Group's recovery planning The Group houses various critical services and critical functions in resolution and resolution management

The Group's Credit Ratings

The Group remains a highly rated institution (in both absolute and relative terms) with the following long and short-term issuer ratings:

	S&P	Moody's	Fitch
Long Term	A	A1	A+
Short Term	A-1	P-1	F1

Our business

Who we are and what we do

Our purpose is to drive commerce and create prosperity through our unique diversity. Our businesses serve four types of client across three regions, supported by nine global functions.

Our client segments

Regional

Retail Banking

Serving individuals and small businesses.

Operating income

$2,171m Underlying basis

$2,171m Statutory basis

Commercial Banking

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

Operating income

$928m Underlying basis

$939m Statutory basis

Global

Corporate & Institutional Banking

Serving large corporations, governments, banks and investors.

Operating income

$5,039m Underlying basis

$4,987m Statutory basis

Private Banking

Helping clients grow and protect their wealth.

Operating income

$339m Underlying basis

$339m Statutory basis

Central & other items (segment)

Operating income

$808m Underlying basis

$800m Statutory basis

Total operating income

$9,285m Underlying basis

$9,236m Statutory basis

Our business

Our regions

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

Operating income

$4,337m
Underlying basis

$4,334m
Statutory basis

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

Operating income

$2,356m
Underlying basis

$2,355m
Statutory basis

Europe & Americas
Centered in London and New York with a presence across both continents. A key income originator for the Group.

Operating income

$2,065m
Underlying basis

$2,065m
Statutory basis

Central & other items (region)[1]
Operating income

$527m
Underlying basis

$482m
Statutory basis

Total operating income
Operating income

$9,285m
Underlying basis

$9,236m
Statutory basis

1 Includes remaining entities within the GCNA region, the largest of which is Japan

Global functions

Guiding and supporting our businesses

Our client-facing businesses are supported by our global functions, which ensure our Group operations run smoothly and consistently

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

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

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

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

Operations
Responsible for all client operations and ensures meeting their needs is at the heart of our operational framework. The function's strategy is supported by performance metrics, standards and practices aligned to client outcomes.

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

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

Group Internal Audit
An independent function that helps the Court and Executive Management protect the assets, reputation and sustainability of the Group.

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

Valued behaviours

Our valued behaviours ensure we do things in the right way, in order for us to succeed. Only by living our values will we realise our potential and truly be Here for good.

Never settle
- Continuously improve and innovate
- Simplify
- Learn from your successes and failures

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

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

Where we operate

We make the most of our deep roots in rapidly developing Asian, African and Middle Eastern markets to seek out opportunities at every turn. We have been operating in these regions for more than 160 years, providing banking services, and supporting growth, where and when it matters most. We focus on supporting customers who trade, operate or invest across our unique footprint. What sets us apart is our diversity – of people, cultures and networks.

We are present in 57 markets.

Europe & Americas

We support clients in Europe & Americas through hubs in London and New York and also have a strong presence in several European and Latin American markets.

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

Africa & Middle East

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

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

ASEAN & South Asia

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

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

Greater China & North Asia

Japan	Mainland China
Macau	Taiwan

Market environment
Macroeconomic factors affecting the global landscape

Global macro trends

Trends in 2020

- Global GDP contracted sharply in 2020, likely by 3.5 per cent: the worst recession since World War II.
- Asia was the best performing region, driven by positive growth in China of 2.3 per cent, but the region overall still contracted by 1.2 per cent.
- Among the G7 economies, the US saw the least pronounced contraction of 3.5 per cent, as lockdown restrictions were not as significant as elsewhere.
- The euro-area economy contracted by 6.8 per cent in 2020 from 1.3 per cent growth in 2019 as national COVID-19 lockdowns were required in many countries throughout 2020.
- Policymakers have provided massive emergency support due to the pandemic, resulting in a significant expansion in government and central bank balance sheets.

Outlook for 2021

- Global growth is expected to bounce back to 5.3 per cent in 2021.
- Asia will remain the fastest growing region and will continue to drive global growth, expanding by a robust 7.4 per cent.
- Among the major economies, the US is expected to record a larger bounce (5.5 per cent) than the euro area (4.0 per cent) as a result of fiscal stimulus and a faster vaccine rollout.
- The COVID-19 outbreak is likely to remain a significant drag on growth in H1 but progress in rolling out global vaccines should drive momentum in H2.
- Growth will be supported by strong policy support in COVID-19 affected countries, with central banks maintaining highly accommodative policies, and fiscal programmes shifting towards recovery and reconstruction.
- There are several risks to this outlook including a slower roll-out of COVID-19 vaccines due to logistical challenges, elevated inflation due to unprecedented stimulus and disruption to supply chains, or a geopolitical event resulting in an oil price spike.

Medium and long-term view

Legacy of COVID-19

- The rollout of COVID-19 vaccines globally could take years and logistical challenges will be magnified in emerging markets. Supply chain logistics are a bigger challenge in economies with poor road and railway infrastructure and supply chain inefficiencies. Administering vaccines to millions could increase the pressure on public health services.
- Economies with early access to vaccines will likely see a sharper rebound in domestic demand, as consumer sentiment improves and social distancing is phased out. Private investment is also likely to increase, buoyed by accommodative monetary policies.
- COVID-19 has brought a renewed focus on supply chain concentration risks. Companies are likely to continue to accelerate the shortening and simplifying of supply chains.
- Combatting concentration risks may mean less of a role for China, the world's mega-trader. However, China's role is so important it's unlikely to be reduced rapidly.

Broader global trends

- Inflation is a bigger risk in emerging markets given fewer structural factors supporting low-inflation and expectations of higher commodity prices over the medium term. In addition, the use of unconventional policies in these economies raises the risk of inflation.
- There are structural challenges to global growth. Productivity growth is weak, especially in developed markets, and emerging markets will have to focus on education and upskilling to meet the threat of automation.
- Long-term growth in the developed world is constrained by ageing populations and high levels of debt, exacerbated by the policy response to COVID-19.
- Relatively younger populations, as well as the adoption of digital technology will allow emerging markets to become increasingly important to global growth.
- Rising nationalism, anti-globalisation and protectionism are a threat to long- term growth prospects in emerging markets.

Regional outlooks

Actual and projected growth by country in 2020 and 2021 per cent

		2021	2020
Greater China & North Asia	China	8 per cent	2.3 per cent
	Hong Kong	3.5 per cent	(6.1 per cent)
	Korea	2.9 per cent	(1 per cent)
ASEAN & South Asia	India	10 per cent	(8.0 per cent)
	Indonesia	4.5 per cent	(2.1 per cent)
	Singapore	5.2 per cent	(5.4 per cent)
Africa & Middle East	Nigeria	2.5 per cent	(1.9 per cent)
	UAE	1.9 per cent	(4.6 per cent)
Europe & Americas	UK	4.8 per cent	(9.9 per cent)
	US	5.5 per cent	(3.5 per cent)

Regional outlook

Greater China & North Asia

- China's economy staged a V-shaped recovery from COVID-19 due to relatively effective virus control and policy support.
- GDP grew by 2.3 per cent in 2020, and we expect it to surge to 8 per cent in 2021 mainly due to a low base. Policy exit, including a cut in budget deficit and a scale-back in credit growth, is likely to cap the upside of the rebound, with quarter-to-quarter growth slowing throughout the year. Positive factors sustaining growth momentum include expected global recovery on vaccine optimism and the lagged effect of policy stimulus. Downside risks include hasty policy exits that could disrupt recovery and increase financial stress.
- China's leadership appears confident about doubling the size of the economy by 2035, implying an average growth rate of c.4.8 per cent in the next 15 years. Developing an outsized domestic market, industrial upgrading and achieving self-reliance in technology are high on the agenda, with the aim of ensuring supply-chain security in a less friendly global backdrop.
- We expect the change of administration in the US to bring a more predictable approach to interactions between the US and China. It is, however, clear there will continue to be a focus on key areas such as trade, technology and human rights.
- We expect China's steady growth and the US Federal Reserve's (Fed's) commitment to low interest rates to continue to support Hong Kong's recovery in the coming quarters. However, we see lingering headwinds from widespread travel bans, weak external demand excluding China, and further upside risk to the local unemployment rate, limiting recovery headroom. We forecast a moderate rebound of GDP growth to 3.5 per cent in 2021, following a contraction of 6.1 per cent in 2020.
- We expect South Korea's economy to grow 2.9 per cent in 2021, following a recession of -1 per cent in 2020. Given Korea's reliance on external demand, growth hinges on the timely deployment of the vaccine nationwide and globally. We expect the Bank of Korea to continue buying KTB to ease the long-term interest rate to avoid a crowding-out effect from a structurally large budget deficit.

ASEAN & South Asia

- ASEAN is expected to rebound in 2021 after a pandemic-induced recession in 2020.
- Base effects aside, very supportive fiscal and monetary measures should help ASEAN recover. But until vaccines are successfully rolled out, social distancing measures may limit the strength of any rebound.
- The recovery may be uneven, with hospitality-related sectors likely to face greater challenges. Countries with large tourism and air-transport related sectors such as Thailand, Singapore and Malaysia may see continued challenges but activity should pick up as restrictions on movement ease either due to a vaccine or uniform operating standards to try to reopen borders.
- Infrastructure spending in countries such as Indonesia and Philippines should also return after a year where governments had to focus on COVID-19.
- The likely global recovery and a more conducive global trade environment under a new administration in the US may also support the export-oriented region, especially Vietnam and Singapore.
- India economy may rebound by 10 per cent in FY22 (year ending March 2022), after one of the worst recessions in four decades; FY21 GDP likely contracted by 8 per cent. We see upside risks to our GDP forecasts as the government has rolled out fiscal stimulus until FY26. Monetary policy is likely to remain supportive in FY22, though upside risk to growth and the possibility of higher inflation could lead to gradual normalisation in H2-FY22. Strong external buffers, better growth prospects and continued focus on reforms are likely to ring-fence rating downgrade risks.

Africa & Middle East

- A gradual recovery in Sub-Saharan Africa (SSA) is expected in 2021.

- SSA is likely to see a recovery of 3.4 per cent in 2021, following a contraction of 2.6 per cent in 2020. Per capita GDP in SSA may have fallen back to 2010 levels due to COVID-19.
- A non-oil recovery is likely to drive growth in Nigeria in 2021 given low oil prices and compliance with OPEC+ cuts.
- Debt will be in focus following Zambia's default. Fiscal restraint and faster growth will be needed to stabilise debt ratios.
- OPEC+ cuts constitute a downside risk to oil exporters' growth recovery in 2021. The recovery in non-oil sectors will likely be constrained by limited fiscal space for stimulus and foreign workers leaving due to job cuts.
- We expect Dubai's hosting of EXPO 2020, postponed until 2021 to add impetus to the UAE's non-oil recovery specifically in sectors such as tourism, hospitality and trade.

Europe & Americas

- Growth in Europe & Americas is likely to strengthen in 2021 as vaccination programmes are rolled out.
- Improved confidence (and an increase in savings during the COVID-19 pandemic) should underpin rising consumption and a pick up in investment and, as social distancing requirements ease, services activity should improve. Employment is likely to improve with a lag but wages may remain subdued.
- We expect inflation pressures to stay low, given excess capacity, and central banks to maintain accommodative policies.
- The Fed and European Central Bank are likely to keep interest rates at current low levels, though some of the emergency measures may be rolled back as growth picks up.
- The trade environment is likely to improve under the new US administration, though it may take time for the new UK-EU trade relationship to bed down following Brexit.

Business model

Transformation on track

We help international companies connect across our global network and help individuals and local businesses grow their wealth.

Our business

Corporate & Institutional Banking and Commercial Banking

We support companies across the world, from small and medium-sized enterprises to large corporates and institutions, both digitally and in person.

Retail Banking and Private Banking

We work with small businesses and individuals , from mass market clients to high net worth individuals, both digitally and in person, including country-level support.

In January 2021, we streamlined our four separate businesses into two: Corporate, Commercial and Institutional Banking (CCIB); and Consumer, Private and Business Banking (CPBB).

Products and services

Financial Markets

- Investment
- Risk management
- Debt capital markets
- Securities services

Corporate Finance

- Structured & project financing
- Strategic advice
- Mergers & acquisitions

Transaction Banking

- Cash management
- Payments & transactions
- Trade finance products

Wealth Management

- Investments
- Portfolio management
- Insurance & advice
- Planning services

Retail Products

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

How we generate returns

We earn net interest on the margin for loans and deposit products, fees on the provision of advisory and other services, and trading income from providing risk management in financial markets

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

What makes us different

Our purpose is to drive commerce and prosperity through our unique diversity – this 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 understanding of our markets and our extensive international network allow us to offer a tailored proposition to our clients, combining global expertise and local knowledge.

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

How we are shaping our future

We have tailored our business model to meet future challenges and opportunities:

In January 2021, we streamlined our organisation by integrating our existing business units into two new segments: Corporate, Commercial & Institutional Banking (CCIB); and Consumer Private and Business Banking (CPBB).

The creation of the CCIB segment, bringing together Corporate & Institutional Banking and Commercial Banking, simplifies the way we work globally, keeping our distinct local client focus, with a less complex organisation on the ground and a single team to partner with our clients and other stakeholders.

Our Retail and Private Banking units are now CPBB. The change will help our retail businesses deliver our services more effectively to our clients, having a more global approach while serving our clients locally.

The inputs we rely on

We aim to use our resources in a sustainable way, to achieve the goals of our strategy.

Human capital
Our diversity differentiates us. Achieving our objectives hinges on the way we invest in our people, the employee experience we curate and the culture we develop.

How we're enhancing our resources
- Eight out of nine future skills academies launched, including data, digital and cyber
- We are creating a work environment that supports resilience and creativity with continued investment in physical, social, financial and mental wellbeing.

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.

How we're enhancing our resources
- We created a COVID-19 global charitable fund to provide emergency support – and longer term assistance – for the communities most impacted by the pandemic, with more than $22 million dispersed for relief in Standard Chartered Bank markets, demonstrating that we are Here for good.
- As measured by stakeholder intelligence firm Alva, the Group improved its reputation in 2020 over 2019, gradually becoming stronger in exceeding the average score for the banking sector, beating it in a majority of surveyed markets in every quarter since Q3 2019.

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.

How we're enhancing our resources
- We are investing in digital capabilities to help us become the leading banking platform in our footprint, where clients can be connected to investments, capital and trade.
- Our network represents around two thirds of our Corporate & Institutional Banking business. The network business is returns accretive.

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

How we're enhancing our resources
- To help our SME clients cope with COVID-19 we kept in close contact, calling small businesses in May and September to understand their challenges and offer our help.
- Since the outbreak of COVID-19, we have lent additional funds to small businesses across our markets.

Financial strength
With $514 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

How we're enhancing our resources
- Stronger capital and much more resilient balance sheet with growth in high quality deposits.
- Core Equity Tier ('CET1') ratio at 12.7 per cent.

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

How we're enhancing our resources
- We are providing digital solutions to meet clients' needs in real time, partnering to create innovative solutions and developing ventures to address emerging banking trends.
- We are automating our infrastructure based on cloud computing, building a scalable, high performing, resilient and secure platform for retail and wholesale customers globally.

The value we create
We aim to create long-term value for a broad range of stakeholders in a sustainable way

Clients
We enable individuals to achieve their ambitions, and 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.

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

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.

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

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

Our strategy

We are continuing to transform our bank by improving the experience for clients and employees, while focusing on high-quality business.

We are on track to launch new ventures and digital platforms, as well as to meet our targets on increasing digital cash transactions with our clients

Our progress against our current strategy is outlined on pages 14 to 15, while the strategy for our next phase of growth is on pages 15 to 16.

Strategic progress in 2020

We remain resilient and competitive, despite economic and geopolitical challenges, meaning that – even though our progress has slowed – we are on the right track.

In 2020, we were operating in the face of paradigm-shifting global events such as the worsening of US-China relations, COVID-19 and the return of low interest rates.

We have taken action to partially offset 2020's impact on our operating profit and ensure we can continue to operate resiliently.

Our strategic priorities

Purpose and people

- Understand our responsibilities: We continue to drive up standards of governance, ensure fair outcomes for clients and fight financial crime.
- Lead sustainable financing across emerging markets: We have committed to help our clients meet the UN Sustainable Development Goals (SDGs). We arranged the first US sustainable use-of-proceeds syndicated subscription facility and the first ever impact-focused subscription finance facility.
- Support the communities where we live and work: In response to the COVID-19 pandemic, Standard Chartered Bank and its parent Group committed to providing $1 billion in not-for-profit loans to help finance companies that supply goods and services to help in the battle with COVID-19. By year end, $579 million had been credit approved globally by Standard Chartered PLC Group, with $450 million of this in Standard Chartered Bank markets. We also created a COVID-19 global charitable fund to provide emergency support – and longer term assistance – for the communities most impacted by the pandemic, with more than $22 million dispersed for relief in Standard Chartered Bank markets.
- Maximise return from our investment in people We are building a future ready workforce – changing how we work and developing the new skills we need. An inclusive culture helps us harness our diversity to innovate for our clients and communities.

Deliver our network

- Leverage our unique footprint: We continue to deepen our relationship with our core clients to realise the revenue potential of our network.
- Grow with Africa: We aim to grow with our clients in Africa, capturing inbound flows of financial institutions, multinational corporations, and Belt & Road clients. We have continued our Retail Banking client growth in Africa with our cost-efficient digital banking.

Grow our affluent business

- Meet the needs of the affluent and emerging affluent: By enhancing our offering, we have grown income as well as attracted new clients with an improved product mix.
- Enhance client experience with data and technology: We are investing more in data and analytics to better understand our clients and their needs, improve our offerings, deliver a more personalised service and increase client engagement.
- Scale the non-affluent sector in a targeted manner: We will put new business models in place, harness technology and work with non-bank partners to acquire and serve non-affluent clients with our target profile in a cost- efficient manner

Optimisation Markets

- Improve returns in markets where we have trusted local capabilities: In markets where we can utilise our local and international capabilities, we have improved our returns through our sharpened participation in Corporate & Institutional Banking and selectively in Commercial Banking and/or Retail Banking (namely India, Indonesia and the UAE).
- Accelerate growth in our largest and most profitable markets: In regions where we are a top local bank delivering our full range of services, with attractive returns, we will invest to grow market share.
- Focus on Corporate & Institutional Banking in other markets: Where our capabilities are geared towards international business, we will reinforce our focus on originating and facilitating cross-border business.

Improve productivity
- Investing in digital: Our investment in digitisation will make us more productive and give clients a better experience. We announced strategic global agreements with Microsoft and Amazon Web Services to speed up our digital transformation and deliver new personalised banking services through a cloud-first strategy
- Transforming our ways of working: We are embracing agile work and improving client journeys to be more productive across operations processing, risk management and change delivery.

Transform and disrupt with digital
- Transform our Retail Banking business with digital: We continue improving our digital client onboarding and servicing.
- We also announced nexus, our "Banking as a service" solution for leading consumer platforms, in Indonesia.
- Consolidate our position with corporate clients: We are leading an industry workgroup to develop a Trade Finance Registry pilot to enhance transparency in commodity trade.
- We launched an ambitious three-year programme to build the leading banking platform in our footprint.
- We support clients on their digital journey and we have set a target of 95 per cent of clients on digital platforms by 2023.

Our next phase
As we look to move from transforming our bank to becoming a leader in global finance in the next five years, we have refreshed our strategy onto four strategic priorities and three enablers. This extension of our existing strategy allows us to focus on the key areas that will help us in the next phase of our development.

Our strategy
We enter this new chapter with strong foundations and renewed confidence. We will continue to invest in people, partnerships and innovations that bring value to our clients. With changes in the operating environment, we are refreshing our strategy to move us from 'transformation' to 'lead', a new phase where we aim to become market leaders in the next five years.

We will ramp up our focus on:

- Four strategic pillars: wholesale network business, affluent client business, mass retail business and sustainability
- Three critical enablers: people and culture, new ways of working and innovation

Rationale and drivers
While our 2019 refreshed strategic priorities moved us from turnaround to transformation, the 2021 strategy aims to move us from our transformation phase to becoming leaders:

- Invest – invest in our strategy and navigate the continued uncertainties through 2021
- Grow and Disrupt – rejuvenate growth with early results from our sharpened strategy by 2023
- Lead – emerge as a leader with future-proof competitive advantages by 2025

Ambition and measuring progress
By 2025, we want to be admired for our specialist servicing of the fast-growing trade and investment corridors across Asia, Africa and the Middle East.

We want to: be the number one wholesale digital banking platform, be among the top three affluent brands, double our mass presence; and become a market leader in sustainability.

We have created KPIs to measure our progress and meet our goals.

Strategic priorities
Wholesale network business
We intend to become the leading international wholesale bank in our emerging markets footprint by…
- Taking leading positions in high-returning, high-growth sectors.
- Delivering a market-leading digital banking platform providing services such as investments, capital and trade; delivering consistent client experience, and driving income, while lowering service costs, particularly in tail markets.
- Driving 'capital lite' products, while building a leading sustainable finance franchise and expanding our credit origination and distribution ecosystem.
- Speeding up growth in large markets, while expanding in growing markets and corridors, in line with shifts in trade and investment flows.

Mass retail business

We intend to help our clients prosper and deliver everyday banking solutions by integrating our services into their digital lives. New digital solutions, strategic partnerships and advanced analytics will enable us to significantly increase our reach and relevance to serve them in a meaningful way. We are:

- Enhancing our value propositions and client solutions and deepening talent and capabilities across digital sales and marketing as well as data and analytics.
- Building strategic enablers to become the partner of choice to leading global and regional companies.
- Growing the share of our mass retail client business income from new innovative business models.

Affluent client business

As the leading international wealth manager, we intend to offer outstanding personalised wealth advice and exceptional experiences to our affluent clients to help them grow and manage their wealth internationally and at home. We are:

- Focusing on growing our affluent client business (Retail Banking Priority and Premium and Private Banking clients) across our top markets with outstanding wealth management and international propositions.
- Delivering personalised solutions and deepening client engagement by leveraging data and analytics to generate high quality client insights.
- Building a scalable affluent client service model by transforming our physical network and digital capabilities to an integrated omni-channel experience.

Sustainability

We intend to become the world's most sustainable and responsible bank and the leading private-sector catalyser of finance for the SDGs where it matters most – in Asia, Africa and the Middle East by.

- Leveraging Climate Risk management to support clients in managing Climate Risk and identifying transition opportunities
- Integrating sustainable finance as a core component of the customer value proposition
- Continuing to promote economic inclusion and tackle inequality in our footprint
- Having a net zero financed carbon emissions target by 2050

People and culture

We are accelerating our people strategy to create a future-ready workforce by:

- Building a culture of continuous learning to support future skills and re-skilling, including launch of our new digital learning platform.
- Investing in wellbeing to improve productivity and performance, including people leader tools and mental health support.
- Redesigning our performance management approach to better enable innovation and collaboration.
- Accelerating post COVID-19 ways of working, implementing 'in-office' and remote work in our eight largest markets, with 80% of colleagues expressing an interest in working flexibly.
- Focusing on inclusion to harness the value from our unique diversity.

New ways of working

We intend to make it easier for our people to do the right thing for our clients, faster and more safely, while gearing the Bank for high-performance and innovation in a fast-paced, dynamic environment.

Towards this goal, we are thinking client first, embracing organisation agility and empowering our people to continuously improve the way we work.

Innovation

We intend to create opportunities that over time can generate the majority of our income. Our aim is to.

- Accelerate the pace of innovation by adopting new ways of working in all aspects of our tech and product delivery.
- Develop and scale up ventures in markets across our footprint.
- Embrace organisational agility, fostering a culture of experimentation and continuous improvement and embedding innovation into our culture.
- Improve client and investor perception about the bank as a leading innovator and a bank of the future.

Client segment reviews

Corporate & Institutional Banking

Profit before taxation

$1,162m — Underlying basis

$1,053m — Statutory basis

Segment overview

Corporate & Institutional Banking supports client with their transaction banking, corporate finance, financial markets and borrowing needs. It operates in some of the world's fastest-growing economies.

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 co-creating to provide bespoke financing solutions.

We work closely with other segments, introducing Commercial Banking services to our clients' partners and offering their employees Retail Banking Services.

We are committed to sustainable finance, increasing support and funding for financial products and services that positively impact our communities and environment.

Performance highlights

- Underlying operating profit before taxation of $1,162 million was down 5 per cent, primarily driven by higher credit impairment partially offset by higher income and lower expenses
- Underlying operating income of $5,039 million was up 3 per cent primarily driven by Financial Markets outperformance on the back of higher market volatility partly offset by lower income from Cash Management, reflecting the impact of lower interest rates across our footprint
- Credit impairment was significantly higher due mainly to provisions against expected credit losses driven by the deterioration in the macroeconomic outlook
- Good balance sheet momentum with total assets up 6 per cent

Retail Banking

Loss before taxation

$(6)m — Underlying basis

$(44)m — Statutory basis

Segment overview

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

Retail Banking represents approximately one-fourth of the Group's operating income. 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.

Performance highlights

- Underlying loss before taxation of $6 million was down 102 per cent driven by lower income and higher credit impairments. Expenses were well-managed and were down 8 per cent year-on-year.
- Underlying operating income of $2,171 million was down 7 per cent, primarily on account of deposit margin compression reflecting the low interest rate environment.
- Credit impairment rose materially driven by higher provisions in unsecured products, particularly in ASA, increased expected credit losses due to deteriorations in macroeconomic factors and an overlay to account for potential increase in delinquencies once government relief measures in our key markets expire.
- Total liabilities grew 5 per cent, whereas total assets declined by 1 per cent

Commercial Banking

Profit before taxation

$85m	$52m
Underlying basis	Statutory basis

Segment overview

Commercial Banking serves local corporations and medium-sized enterprises in markets across Asia, Africa and the Middle East. We aim to be our clients' main international bank, providing a full range of international financial services in areas such as trade finance, cash management, financial markets and corporate finance.

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

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

Performance highlights

- Underlying profit before taxation of $85 million was down 74 per cent driven by higher credit impairment and lower income partly offset by lower expenses
- Underlying operating income of $928 million was down 9 per cent primarily on the back of lower transaction banking income reflecting the impact of margin compression and weaker trade flows
- Credit impairment came in higher reflecting the macroeconomic outlook
- Liabilities grew by 9 per cent, whereas total assets declined by 9%

Private Banking

Profit before taxation

$58m	$47m
Underlying basis	Statutory basis

Segment overview

Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high-net worth individuals.

Our investment advisory services and product platform are independent from research houses and product providers, allowing us to put client interests at the heart 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 leverage our global Commercial Banking and Corporate & Institutional Banking capabilities to support their business needs. Private Banking services can be accessed from leading centres in: Singapore, London, Jersey, Dubai and India.

Performance highlights

- Underlying profit before taxation of $58 million is down 23 per cent, primarily driven by higher impairment charges as the material credit releases of the prior year did not recur
- Underlying income of $339 million is down 7 per cent, primarily impacted by margin compression in our deposit book due to interest rate cuts
- Underlying costs have come in 15 per cent lower reflecting excellent cost discipline
- Liabilities continue to show resilience and are up 6 per cent

Regional reviews

ASEAN & South Asia

Profit before taxation

$762m
Underlying basis

$721m
Statutory basis

Region overview

The Group has a long-standing presence in the region and, as the only international bank present in all 10 ASEAN countries, we are the go-to banking partner for our clients. The two markets in the region contributing the highest income are Singapore and India.

The region contributes almost half of the Group's income and Singapore is home to the majority of our global business leadership, our technology operations and our innovation hub SC Ventures. The strong underlying economic growth in the region means we can help our clients grow and sustainably improve returns.

The region benefits from rising trade flows, including activity generated from the Belt & Road initiative, strong investment, and a rising middle class which is driving consumption and improving digital connectivity

Performance highlights

- Underlying operating profit before tax of $762 million decreased 24 per cent driven by higher credit impairment partly offset by a 4 per cent growth in income and a 2 per cent decline in expenses
- Underlying operating income of $4,337 million grew 4 per cent, underpinned by strong growth in Corporate & Institutional Banking and gains in Treasury Markets
- Credit impairment levels were elevated reflecting the impact of the deteriorating macroeconomic environment, which drove expected credit losses higher and on account of provisions on two unconnected Corporate & Institutional Banking client exposures taken in 1Q' 20
- Balance sheet momentum remains resilient with assets up 4 per cent and liabilities up 7 per cent

Africa & Middle East

Profit/(loss) before taxation

$16m
Underlying basis

$(71)m
Statutory basis

Region overview

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

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

Global and local macro-economic headwinds in 2020 have impacted income across both the Middle East and Africa, and have resulted in an elevated risk environment, particularly in Africa. However, we're confident the opportunities in the region will support long-term sustainable growth for the Group. We continue to invest selectively and drive efficiencies

Performance highlights

- Underlying operating profit before tax of $16 million was 98 per cent lower due to headwinds impacting income and higher forward looking credit provision
- Underlying operating income of $2,356 million was down 8 per cent due to the impact of interest rate cuts on margins, while Financial Markets performed well
- Credit impairment was significantly higher due mainly to provisions against expected credit losses driven by the deterioration in the macroeconomic outlook and on account of a provision on a single client taken in 1Q' 20
- Total assets were down 3 per cent and total liabilities were up 11 per cent

Europe & Americas

Profit before taxation

$616m
Underlying basis

$584m
Statutory basis

Region overview

The Group supports clients in Europe & Americas through hubs in London and New York as well as a presence in several European and Latin American markets. Our extensive expertise in working across our footprint in Asia, Africa and the Middle East allows us to offer our clients unique network and product capabilities.

The region generates significant income origination engine for the Group's Corporate & Institutional Banking business. Clients based in Europe & Americas generate a substantial portion of Group Corporate & Institutional Banking income.

The region is home to the Group's two biggest payment clearing centres and the largest trading room.

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

Performance highlights

- Underlying operating profit before taxation of $616 million improved 110 per cent driven by higher income and lower costs, partly offset by higher impairments
- Underlying operating income of $2,065 million was up 13 per cent largely due to strong Financial Markets performance and realisation gains from Treasury, partly offset by Cash Management, reflecting the lower interest rate environment
- Expenses reduced 10 per cent largely due to lower regulatory costs, reduced travel and lower variable compensation accruals
- Total assets grew 14 per cent year-on-year whereas liabilities declined 3 per cent

Financial review

Significant improvement on a fundamentally more resilient platform

Underlying performance summary

	2020 $million	2019 $million	Change %
Net interest income	4,100	4,470	(8)
Other income	5,185	4,964	4
Underlying operating income	**9,285**	9,434	(2)
Other underlying expenses	(5,963)	(6,280)	5
UK bank levy	(331)	(347)	5
Underlying operating expenses	**(6,294)**	(6,627)	5
Underlying operating profit before impairment and taxation	**2,991**	2,807	7
Credit impairment	(1,948)	(697)	(179)
Other impairment	147	(11)	nm[1]
Profit from associates and joint ventures	1	7	(86)
Underlying profit before taxation	**1,191**	2,106	(43)
Restructuring	(272)	(129)	(111)
Goodwill impairment	(403)	(23)	nm[1]
Other items	20	(235)	109
Statutory profit before taxation	**536**	1,719	(69)
Taxation	(514)	(796)	35
Profit from continuing operations	**22**	923	(98)
Loss from discontinued operations	–	(4,573)	
KPIs on continuing operations			
Underlying return on tangible equity (%)	0.4	4.1	
Statutory return on tangible equity (%)	(2.0)	2.2	
Common Equity Tier 1 (%)	12.7	12.4	

1 Not meaningful

Operating income declined 2 per cent primarily reflecting the impact of lower net interest income.

Net Interest Income declined 8 per cent reflecting the lower rate environment and NIM compression.

Other Income increased 4 per cent driven by a particularly strong performance in Financial Markets.

Operating expenses excluding the UK Bank levy are down 5 per cent primarily reflecting reductions in staff costs, travel and group recharges. The cost-to-income ratio (excluding the UK bank levy) decreased 2 percentage points to 64 per cent. The UK bank levy decreased by $16 million to $331 million; in 2021 it will be chargeable on only the Group's UK balance sheet with the current expectation being that it will reduce to around $100 million at that time.

Credit impairment increased by $1,251 million to $1,948 million. This is driven by an increase in stage 1 and 2 impairments reflecting management overlays, deteriorating macroeconomic factors and COVID-19 related uncertainties and an increase in stage 3 losses, the majority of which relates to Corporate & Institutional Banking.

Other impairment benefited from a net $147 million release, primarily driven by a reversal of previously impaired assets

Profit before tax decreased 43 per cent to $1,191 million. Statutory profit before tax decreased 69 per cent driven by net charges totalling $655 million relating to restructuring, goodwill impairment – including $403 million principally relating to India and United Arab Emirates – and other items.

Taxation of $514 million for the year represents an effective tax rate of 96%, primarily reflecting the impact of non-deductible expenses, non-creditable withholding tax, non-deductible goodwill impairment and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India.

Return on tangible equity decreased by 370 basis points to 0.4 per cent, reflecting reduced profits and higher average tangible equity.

Underlying profit/(loss) before tax by client segment and geographic region

	2020 $million	2019 (Restated)[1] $million	Change %
Corporate & Institutional Banking	**1,162**	1,224	(5)
Retail Banking	**(6)**	362	(102)
Commercial Banking	**85**	332	(74)
Private Banking	**58**	75	(23)
Central & other items (segment)	**(108)**	113	(196)
Underlying profit before taxation	**1,191**	2,106	(43)
ASEAN & South Asia	**762**	1,005	(24)
Africa & Middle East	**16**	674	(98)
Europe & Americas	**616**	293	110
Central & other items (region)	**(203)**	134	(251)
Underlying profit before taxation	**1,191**	2,106	(43)

1 Following a reorganisation of certain clients, there has been a reclassification of balances across client segments

Credit quality

Covid-19 and the related economic volatility impacted loan quality and asset quality deteriorated in 2020. However the actions taken during the year and over the previous years helped the group to remain resilient. The Group remains vigilant as some of our markets have experienced significant volatility.

	2020 $million Total	2019 $million Total
Gross loans and advances to customers[1]	**146,778**	144,324
Of which stage 1	**122,883**	123,824
Of which stage 2	**15,606**	13,827
Of which stage 3	**8,289**	6,673
Expected credit loss provisions	**(5,917)**	(5,143)
Of which stage 1	**(331)**	(239)
Of which stage 2	**(619)**	(272)
Of which stage 3	**(4,967)**	(4,632)
Net loans and advances to customers	**140,861**	139,181
Of which stage 1	**122,552**	123,585
Of which stage 2	**14,987**	13,555
Of which stage 3	**3,322**	2,041
Cover ratio of stage 3 before/after collateral (%)	**60/77**	69/86
Credit grade 12 accounts ($million)	**2,039**	1,484
Early alerts ($million)	**8,526**	4,649
Investment grade corporate exposures (%)	**63**	62

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $2,919 million at 31 December 2020 (2019: $1,339 million)

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 stakeholders would ordinarily identify separately when assessing underlying performance period-by period.

The Group incurred net restructuring charges of $272 million in 2020 owing primarily to planned initiatives to reduce ongoing costs and the Group's Principal Finance business.

	2020			2019		
	Restructuring $million	**Goodwill $million**	**Other items $million**	Restructuring $million	Goodwill $million	Other items $million
Operating income	(55)	–	6	1	–	(57)
Operating expenses	(183)	–	14	(128)	–	(226)
Credit impairment	(28)	–	–	(2)	–	–
Other impairment	(6)	(403)	–	–	(23)	–
Profit from associates and joint ventures	–	–	–	–	–	48
(Loss)/profit before taxation	**(272)**	**(403)**	**20**	(129)	(23)	(235)

Balance sheet and liquidity

The Group's balance sheet is strong, highly liquid and diversified. Loans and advances to customers were up 1 per cent at $141 billion with broad-based growth across a range of products. Customer accounts were up 3 per cent at $217 billion and the advances-to-deposits ratio reduced from 62 per cent to 57 per cent year on year as the Group continued to focus on improving the quality and mix of its liabilities.

	2020 $million	2019 $million
Assets		
Loans and advances to banks	27,666	36,948
Loans and advances to customers	140,861	139,181
Other assets	345,066	310,289
Total assets	513,593	486,418
Liabilities		
Deposits by banks	23,761	24,126
Customer accounts	216,719	210,262
Other liabilities	239,965	216,989
Total liabilities	480,445	451,377
Equity	33,148	35,041
Total equity and liabilities	513,593	486,418
Advances-to-deposits ratio (%)[1]	57%	62%

1 In calculating the advances-to-deposits ratio, the Group now excludes $14,296 million held with central banks (2019: $9,109 million) that have been confirmed as repayable at the point of stress

SC Bank is not regulated for Liquidity Coverage Ratio (LCR), however, the bank and material subsidiaries in the consolidation have standalone LCR ratios above 100 per cent.

Capital base and ratios

	2020 $million	2019 $million
CET1 capital	23,817	22,925
Additional Tier 1 capital (AT1)	4,551	6,606
Tier 1 capital	28,368	29,531
Tier 2 capital	12,263	10,336
Total capital	40,631	39,867
CET1 capital ratio (%)	12.7%	12.4%
Total capital ratio (%)	15.1%	15.9%
Leverage ratio (%)	4.7%	4.8%

Following the completion of the Standard Chartered PLC Group reorganisation in 2019, Standard Chartered Bank continues to operate through its branches and a number of subsidiaries, all of which remain well capitalised in line with their applicable Board-approved Risk Appetites. The Group's CET1 ratio capital position remained strong at 12.7 per cent with low leverage and high levels of loss absorbing capacity. Compared to 31 December 2019, the Group's CET1 ratio increased 32 bps mainly due to increase in capital of $0.9 billion partly offset by slightly higher RWAs.

Summary and outlook

Despite the recent positive news on vaccines, we will be coping with the health and economic impact of COVID-19 for some time however global economic recovery will strengthen as the year progresses and confidence returns, led by the performance of markets in Asia where we have large and entrenched positions. We will continue to actively manage our capital position to maximise our RoTE whilst remaining focused on generating more fee-based income, particularly from our Financial Markets and Wealth Management businesses.

Underlying versus statutory results reconciliations

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

Operating income by client segment

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Underlying operating income	5,039	2,171	928	339	808	9,285
Restructuring[1]	(52)	–	11	–	(14)	(55)
Other items	–	–	–	–	6	6
Statutory operating income	4,987	2,171	939	339	800	9,236

	2019 (Restated)[2]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Underlying operating income	4,869	2,334	1,025	366	840	9,434
Restructuring[1]	–	–	1	–	–	1
Other items	–	–	–	–	(57)	(57)
Statutory operating income	4,869	2,334	1,026	366	783	9,378

1 Refer to note 2 for further details

2 Following a reorganisation of certain clients, there has been reclassification of balances across client segments

Operating income by region

	2020				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	**4,337**	**2,356**	**2,065**	**527**	**9,285**
Restructuring[1]	**(3)**	**(1)**	**–**	**(51)**	**(55)**
Other items	**–**	**–**	**–**	**6**	**6**
Statutory operating income	**4,334**	**2,355**	**2,065**	**482**	**9,236**

	2019				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	4,179	2,551	1,829	875	9,434
Restructuring[1]	(2)	–	–	3	1
Other items	–	–	–	(57)	(57)
Statutory operating income	4,177	2,551	1,829	821	9,378

1 Refer to note 2 for further details

Profit before taxation (PBT)

	2020							
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Gains arising on repurchase of senior and subordinated liabilities $million	Goodwill impairment $million	Share of profits of PT Bank Permata Tbk joint venture $million	Statutory $million
Operating income	**9,285**	**–**	**(55)**	**6**	**–**	**–**	**–**	**9,236**
Operating expenses	**(6,294)**	**14**	**(183)**	**–**	**–**	**–**	**–**	**(6,463)**
Operating profit/(loss) before impairment losses and taxation	**2,991**	**14**	**(238)**	**6**	**–**	**–**	**–**	**2,773**
Credit impairment	**(1,948)**	**–**	**(28)**	**–**	**–**	**–**	**–**	**(1,976)**
Other impairment release/(charge)	**147**	**–**	**(6)**	**–**	**–**	**(403)**	**–**	**(262)**
Profit from associates and joint ventures	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Profit/(loss) before taxation	**1,191**	**14**	**(272)**	**6**	**–**	**(403)**	**–**	**536**

	2019							
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gain on businesses disposed/ held for sale $million	Losses arising on repurchase of senior and subordinated liabilities $million	Goodwill impairment $million	Share of profits of PT Bank Permata Tbk joint venture $million	Statutory $million
Operating income	9,434	–	1	–	(57)	–	–	9,378
Operating expenses	(6,627)	(226)	(128)	–	–	–	–	(6,981)
Operating profit/(loss) before impairment losses and taxation	2,807	(226)	(127)	–	(57)	–	–	2,397
Credit impairment	(697)	–	(2)	–	–	–	–	(699)
Other impairment charge	(11)	–	–	–	–	(23)	–	(34)
Profit from associates and joint ventures	7	–	–	–	–	–	48	55
Profit/(loss) before taxation	2,106	(226)	(129)	–	(57)	(23)	48	1,719

Profit before taxation (PBT) by client segment

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	5,039	2,171	928	339	808	9,285
External	5,158	1,774	997	236	1,120	9,285
Inter-segment	(119)	397	(69)	103	(312)	–
Operating expenses	(3,023)	(1,663)	(558)	(277)	(773)	(6,294)
Operating profit before impairment losses and taxation	2,016	508	370	62	35	2,991
Credit impairment	(1,133)	(504)	(284)	(4)	(23)	(1,948)
Other impairment release/(charge)	279	(10)	(1)	–	(121)	147
Profit from associates and joint ventures	–	–	–	–	1	1
Underlying profit/(loss) before taxation	1,162	(6)	85	58	(108)	1,191
Restructuring	(109)	(38)	(33)	(11)	(81)	(272)
Goodwill impairment & other items	–	–	–	–	(383)	(383)
Statutory profit/(loss) before taxation	1,053	(44)	52	47	(572)	536

	2019 (Restated)[1]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	4,869	2,334	1,025	366	840	9,434
External	5,047	2,038	1,208	226	915	9,434
Inter-segment	(178)	296	(183)	140	(75)	–
Operating expenses	(3,183)	(1,798)	(597)	(325)	(724)	(6,627)
Operating profit before impairment losses and taxation	1,686	536	428	41	116	2,807
Credit impairment	(457)	(175)	(96)	34	(3)	(697)
Other impairment	(5)	1	–	–	(7)	(11)
Profit from associates and joint ventures	–	–	–	–	7	7
Underlying profit before taxation	1,224	362	328	75	113	2,106
Restructuring	(59)	(17)	(2)	(10)	(41)	(129)
Goodwill impairment & other items	–	–	–	–	(258)	(258)
Statutory profit/(loss) before taxation	1,165	345	330	65	(186)	1,719

1 Following a reorganisation of certain clients, there has been reclassification of balances across client segments

Profit before taxation (PBT) by region

	2020				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	4,337	2,356	2,065	527	9,285
Operating expenses	(2,608)	(1,672)	(1,286)	(728)	(6,294)
Operating profit/(loss) before impairment losses and taxation	1,729	684	779	(201)	2,991
Credit impairment	(1,130)	(654)	(171)	7	(1,948)
Other impairment release/(charge)	163	(14)	8	(10)	147
Profit from associates and joint ventures	–	–	–	1	1
Underlying profit/(loss) before taxation	762	16	616	(203)	1,191
Restructuring	(41)	(87)	(32)	(112)	(272)
Goodwill impairment & other items	–	–	–	(383)	(383)
Statutory profit/(loss) before taxation	721	(71)	584	(698)	536

	2019				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	4,179	2,551	1,829	875	9,434
Operating expenses	(2,669)	(1,746)	(1,435)	(777)	(6,627)
Operating profit before impairment losses and taxation	1,510	805	394	98	2,807
Credit impairment	(504)	(132)	(101)	40	(697)
Other impairment	(1)	1	–	(11)	(11)
Profit from associates and joint ventures	–	–	–	7	7
Underlying profit before taxation	1,005	674	293	134	2,106
Restructuring	(33)	(18)	(32)	(46)	(129)
Goodwill impairment & other items	48	–	–	(306)	(258)
Statutory profit/(loss) before taxation	1,020	656	261	(218)	1,719

Return on tangible equity (RoTE)

	2020 %	2019 %
Underlying RoTE	**0.4**	4.1
Provision for regulatory matters	**0.1**	(1.1)
Restructuring		
Of which: Income	**(0.2)**	–
Of which: Expenses	**(0.8)**	(0.7)
Of which: Credit impairment	**(0.1)**	–
Loss arising on repurchase of senior and subordinated liabilities	**–**	(0.3)
Goodwill impairment	**(1.7)**	(0.1)
Share of profits of PT Bank Permata Tbk joint venture	**–**	0.2
Tax on normalised items	**0.3**	0.1
Statutory RoTE	**(2.0)**	2.2

Alternative performance measures

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

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

Risk review

Ready for recovery, prepared for further volatility

2020 was a year of significant challenges, with COVID-19, uncertainty around the US elections, and Brexit, and heightened tensions between the US and China resulting in levels of macroeconomic and geopolitical upheaval not seen in recent history.

The impact of a global crisis driven by public health concerns rather than economic issues has varied vastly across different markets and sectors, with some devastated while others continue to thrive. Uneven recovery trajectories have resulted in volatility in growth rates across periods, although unprecedented levels of government support, and the provision of significant liquidity in most economies, has dampened some of the shock. The longer-term consequences of this volatility are unclear but suggest we are likely to see an inflationary period in the future. This has created unique challenges in terms of risk management as we strive to support our clients, colleagues and communities while ensuring we remain robust and resilient. The crisis has also required us to re-examine our systems and processes and adapt to new ways of working. We have accelerated some of our ongoing initiatives by investing significantly in remote working and continuing to enhance our operational resilience. As we progress the Group's digital agenda we are conscious of the related cyber risks, as well as a heightened risk of fraud as criminals look to exploit the instability caused by the pandemic.

As we look forward to 2021 and beyond, we remain vigilant as the landscape continues to evolve, with the transition from Interbank Offered Rate (IBOR) to alternative risk-free rates and the longer term impact of the Common Framework Agreement on emerging market debt being just two of the areas we are monitoring closely.

The pandemic and related economic shock has impacted our loan portfolio, with credit impairment at elevated levels compared to 2019. However, we faced these challenges from a fundamentally strong position. Actions taken in previous years, including reducing our concentration on single names and high-risk sectors and increasing the proportion of investment grade assets, helped to mitigate deterioration in our portfolios. Our capital and liquidity positions have also remained resilient.

While there were improvements in the second half of 2020 as economies in many of our markets began to emerge from local restrictions, we remain cognisant that the global recovery will be uneven with some sectors and markets continuing to face challenges as the world adapts to the new normal.

The growing sentiment to 'build back better' during the recovery from COVID-19 means we can benefit from our expertise in creating sustainable finance solutions, often in collaboration with the public sector. We are working with clients to understand the potential risks and opportunities sustainability brings. In the second half of 2020, environmental, social and governance risk management has been integrated into the PLC Group's Reputational Risk Type Framework (RTF) and adopted by the Group through an addendum to the Reputational RTF. We recognise our role in supporting our clients and markets in the transition to a low-carbon economy and are focused on developing transition frameworks and a range of sustainable financing solutions. We remain committed to being a sustainable, innovative, resilient and client-centric bank.

An update on our key risk priorities

The financial services sector is evolving at a rapid pace and, in a challenging macroeconomic environment, we must continue to innovate. We remain focused on the following key priorities.

Strengthening the Group's risk culture: Embedding a healthy risk culture remains a core objective across the Group. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. Our Risk Management Framework (RMF) sets out the guiding principles for our colleagues, enabling us to have integrated and holistic risk conversations across the Group and the three lines of defence. Senior management promote a healthy risk culture by rewarding risk-based thinking (including in remuneration decisions), challenging the status quo and creating a transparent and safe environment for employees to communicate risk concerns.

Enhancing information and cyber security (ICS) capabilities: The Group continues to invest in ICS capabilities. Despite the challenges posed by COVID-19, our technology infrastructure, supervision and controls have been strengthened to meet the additional requirements brought by the pandemic. The expansion of Virtual Private Network capacity along with Multi-Factor Authentication controls have facilitated a large increase in secure remote working across our footprint. We continue to review cyber threats as they evolve, anticipating areas of risk and adapting our continuity arrangements to maintain client service. These threats extend beyond the Group, and we have made it a priority to review our processes and strengthen controls around third party security risk in response to recent external reports of ransomware attacks. We have benefitted from an external review of our ICS enhancements.

Embedding Climate Risk management: The PLC Group is making good progress on integrating Climate Risk into mainstream risk management, with some relevant Reputational, Compliance, Operational and Country Risk processes now incorporating Climate Risk. The PLC Group is also conducting several pilot exercises to accelerate further integration into Credit, Traded, Capital and Liquidity Risk, while Governance has been enhanced and rolled out to regions, focusing on markets with local regulatory requirements.

Training and upskilling colleagues across the PLC Group has been a key priority. This year we delivered virtual training sessions and launched our first digital training course on climate risk under the PLC Group's partnership with Imperial College. The PLC Group also collaborated with them on a virtual event on energy scenarios and integration into macroeconomic and climate scenarios, with a focus on the coal supply chain in India.

Measuring climate risk remains an industry wide challenge, and the PLC Group has invested in internal capabilities and external partnerships to tackle climate risk assessments. With Munich Re's toolkit for physical risk assessment, Baringa's solution for transition risk assessment under various climate scenarios, and granular climate data from S&P Trucost, the PLC Group significantly advanced its climate risk quantification capabilities. In 2021 the PLC Group plans to engage our corporate clients with our climate risk insights, to better understand their adaptation and mitigation plans and assess how to best serve their sustainable financing needs.

The 2020 Task Force on Climate-related Financial Disclosures Report provides further details on the PLC Group's progress.

Managing our environmental, social and governance (ESG) risk: There is increasing focus on issues relating to ESG risks from regulators and investors and we are committed to being a leader in sustainable and responsible banking. The expansion of the PLC Group's Reputational Risk Type Framework to integrate ESG risk management focuses on core principles aligned with the OECD's Due Diligence for Responsible Business Conduct and that of doing no significant harm. The PLC Group is investing in technology and innovative solutions in this area, having already developed a Reputational Risk and ESG Due Diligence Tool to enable us to better understand and manage ESG issues across our markets. The PLC Group has also delivered a proof-of-concept model which utilises data on client behaviours combined with machine learning to predict the likelihood that a client relationship would expose the PLC Group to heightened ESG risk and its potential severity.

Managing financial crime risks: We strive to remain at the forefront of the fight against financial crime. COVID-19 has presented a range of new threats, as well as heightening existing risks as criminals look to exploit the instability caused by the pandemic. We have identified and shared information about these threats and have taken steps to protect clients.

Our control capability has continued to strengthen and our Financial Crime Compliance team have identified and prevented fraud, money laundering, bribery and corruption using next-generation surveillance and financial crime monitoring infrastructure. With natural language processing and machine learning tools we generate higher quality cases and reduce false positives, creating a safer environment for our clients. We have also been able to share insights with our clients, colleagues and partners. Despite the pandemic impacting our ability to physically hold Correspondent Banking Academies, we have adapted and held academies virtually, allowing greater participation and helping further promote de-risking through education. We have also continued to strengthen our controls through internal innovation and investment in technology.

Strengthening our conduct environment: We continued to enhance our management of conduct risk in 2020, particularly in our approach to identification and mitigation. COVID-19 presented a range of new or heightened conduct risks given the move to large-scale working from home arrangements as well as the economic impact on clients. We focused on ensuring those risks were understood and mitigated throughout the year.

We are mindful of new and emerging risks and continue to focus on identifying and mitigating conduct risk arising from the pandemic. Given the expected difficult and uncertain nature of the recovery from COVID-19, we remain vigilant to the need to identify new ways conduct risk may arise in 2021 and beyond.

Enhancing our Risk and CFCC infrastructure: Flexible risk aggregation, centralised data and advanced analytical capabilities have enabled an agile response to the challenges of COVID-19. The integration of our risk aggregation platform with front office data has enabled near real-time bespoke exposure analysis, decisioning and reporting, and our stress testing scenarios have been expanded to include the impact of the pandemic. We have also developed capabilities in areas such as anti-money laundering, identity verification, and digital signatures through partnerships developed by our internal innovation centre, SC Ventures.

In Retail Banking, the use of more sophisticated data mining and predictive analytics tools has accelerated the development and deployment of risk and forecasting models. Hubs have been established to centralise specialist knowledge in data engineering and visualisation, model development, validation and governance, with automation of supporting processes to reduce operational risks.

Enhancing our model risk management: During 2020 the PLC Group focused on delivering a sustainable risk management framework through the Model Risk Management Strategic Enhancement Programme. The PLC Group's Model Risk Policy and Standards have been strengthened to enable a risk-based approach. We will implement these enhancements in model risk management through an addendum to the PLC Group's Model Risk Type Framework, and elaborate a Group level Risk Appetite.

Our risk profile and performance in 2020

COVID-19 and the related economic shock has impacted our loan portfolio, however actions taken as the crisis unfolded and the work done in previous years to solidify our foundations have helped to mitigate the impact. We remain cognisant that the recovery will be uneven globally, and the threat of prolonged weak economic outlooks may lead to a sustained period of increased risk aversion and uncertainty.

- The Group's proportion of stage 1 and stage 2 loans and advances to customers are at 84 per cent (2019: 86 per cent) and 11 per cent (2019: 10 per cent) respectively.
- Stage 3 loans increased by 24 per cent to $8.3 billion. The overall stage 3 cover ratio has reduced to 60 per cent (2019: 69 per cent) mainly in Corporate & Institutional Banking, driven by write offs and new stage 3 loans with low levels of coverage, which benefit from credit insurance and guarantees, including from export credit agencies.
- Total credit impairment increased to $1.9 billion, reflecting the impact of COVID-19, with stage 3 impairment up $0.7 billion to $1.3 billion.

Detailed information on our risk performance for 2020 can be found in the Risk profile section (pages 53 to 122).

An update on our risk management approach

Following the subsidiary reorganization and creation of a dual hub model comprising the Group and the Greater China & North Asia (GCNA) hub under PLC, we launched a distinct Risk Management Framework (RMF) for the Group, approved by the Standard Chartered Bank Board of Directors (Court) in June 2020. The RMF sets out the risk management and governance approach for the Group in accordance with the PLC Group's Enterprise Risk Management Framework (ERMF), and gives us the structure to manage existing risks effectively in line with our risk appetite, as well as allowing for holistic risk identification As outlined in the RMF, we manage and control our principal risk types and cross cutting risks in line with the PLC Group Risk Type Frameworks. These are implemented at the Company level via an addendum to the PLC Group's Risk Type Frameworks.

As part of the annual review of the RMF we have expanded the Reputational Risk PRT to include Sustainability Risk. There is an increasing focus on issues relating to ESG risk from both regulators and investors, and the Group's commitments to be a leader in sustainable and responsible banking make this a core tenet of our franchise.

Given its overarching nature, conduct risk management has been incorporated as an integral component of the overall RMF rather than viewed as a standalone risk, effective from January 2021. The Group will continue to identify conduct risks inherent to the Group's strategy, business model and geographies it operates in, and expects each business and function to be responsible for managing conduct within their area with CFCC providing oversight and challenge. This change allows us to view conduct risk through the lens of delivering positive outcomes for our clients, markets, and internal and external stakeholders. We remain committed to ensuring the highest standard of conduct from all our people. We have no appetite for negative conduct risk outcomes arising from negligent or wilful actions by the Group or individuals recognising that while incidents are unwanted, they cannot be entirely avoided.

Given the Group's diverse footprint, country risk management has also been elevated as an integral component of the overall RMF as part of Group strategy and strategic risk management, effective from January 2021. The Group continues to ensure that country limits and exposures are reasonable and in line with Group strategy, country strategy, risk appetite and the operating environment. This includes economic, political, environmental and social risk factors under base and stressed conditions.

To meet the needs of the digital agenda and strengthen the technology risk management capabilities of the Group, we have expanded the Operational Risk PRT to include Technology Risk, effective from January 2021. This allows us to focus on risks arising from technology events, with the Operational Risk team providing second line oversight. We also continue to develop our risk capabilities in new asset classes and technologies such as our approach to crypto asset related activities.

Principal and cross-cutting risks

Principal risks are risks inherent in our strategy and business model. These are formally defined in our RMF which provides a structure for monitoring and controlling these risks through the Court-approved risk appetite. We will not compromise adherence to our risk appetite in order to pursue revenue growth or higher returns.

Principal Risk Types	How these are managed
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors
Traded Risk	The Group should control its trading portfolio and activities to ensure that traded risk losses (financial or reputational) do not cause material damage to the PLC Group's franchise
Capital and Liquidity Risk	Individual regulated entities within the Group should maintain a strong capital and liquidity position and meet their minimum capital and liquidity requirements
Operational and Technology Risk	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the PLC Group's franchise
Information and Cyber Security Risk	The Group seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the Group
Compliance Risk	The Group has no appetite for breaches in laws and regulations, while recognising that regulatory non-compliance cannot be entirely avoided the Group strives to reduce this to an absolute minimum
Financial Crime Risk	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
Model Risk	The Group has no appetite for material adverse implications arising from the misuse of models or errors in the development or implementation of models, while accepting model uncertainty
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight
Climate Risk[1]	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement

1 In addition to principal risks, the Group also recognises Climate Risk as a cross-cutting risk that manifests through other principal risks

Emerging risks

Emerging risks refer to unpredictable and uncontrollable events with the potential to materially impact our business.

The table below summarises our current list of Emerging Risks and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as identified by senior management. The list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them, but shows the Group's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

Emerging Risks	Key risk trend drivers	How these are mitigated
COVID-19 and the emergence of new diseases	COVID-19 continues to spread globally. Measures to contain the virus, such as travel bans and restrictions, curfews, quarantines and shutdowns have led to increased volatility in financial markets and commodity prices and severe economic downturns in many countries. There is a risk other diseases may emerge	• The Group relies on stress tests and portfolio reviews conducted at a PLC Group, country and business level to assess the impact of a severe stress in the global economy associated with a sharp slowdown. • Exposures that could result in material credit impairment charges and risk-weighted asset inflation under stress tests are regularly reviewed and actively managed • To support our clients the Group has enacted comprehensive support schemes for retail and corporate customers, including loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities • The Group's priority remains the health and safety of our clients and employees and continuation of normal operations by leveraging our robust Business Continuity Plans which enable the majority of our colleagues to work remotely where possible
US-China trade tensions driven by geopolitics and trade imbalance	Measures taken by China and the US on trade tariffs since 2018 have increased concerns of a global geopolitical and trade war. Tensions escalated in 2020 and continue to deteriorate, posing a risk to global supply chains	• Sharp slowdowns in the US, China, and more broadly, world trade and global growth are a feature of the PLC Group, Solo[1] and country level stress scenarios. The Group relies on these stress tests to assess the Group level key vulnerabilities and to be able to implement timely interventions • Detailed portfolio reviews are conducted at a PLC Group, country and business level on an ongoing basis and action is taken where necessary • We monitor and assess geopolitical events and act as appropriate to ensure we minimise the impact to the Group and our clients • Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements.
Geopolitical events, in particular: the rise of populism and nationalism, Middle East tensions and social unrest driven by moderation of growth in key footprint markets and political concerns	There are increasing concerns following the rise of populism and nationalism. COVID-19 and focus on local economies have helped contribute to reduced security incidents in the Middle East relative to 2019. 2019 and 2020 saw a surge in protests globally and the risk is these will increase further in 2021. The economic impact of policy decisions made in 2020 may pose a risk to future growth	• We monitor and assess geopolitical events and act as appropriate to ensure we minimise the impact to the Group and our clients • There is continuous monitoring at a country, regional and PLC Group level to identify emerging risks and evaluate their management • We rely on portfolio reviews at a PLC Group, country and business level to assess the impact of extreme but plausible geopolitical events
Macroeconomic concerns, in particular, rising sovereign default risk	COVID-19 has exacerbated already deteriorating market conditions causing liquidity and potentially solvency issues for a number of the world's poorest countries. Central bank responses to the crisis may result in asset bubbles and inflation	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed • We rely on stress tests and portfolio reviews conducted at a PLC Group, country and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly • We actively utilise credit risk mitigation techniques including credit insurance and collateral • We actively track the participation of our footprint countries in G20's Common Framework for Debt Treatments and the associated exposure

1 The Solo regulatory group as defined in the Prudential Regulation Authority waiver letter dated 24 August 2017 differs from Standard Chartered Bank Company in that it includes the full consolidation of eight subsidiaries, namely Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V, Standard Chartered UK Holdings Limited, Standard Chartered Grindlays PTY Limited, SCMB Overseas Limited, Standard Chartered Capital Management (Jersey) LLC, Standard Chartered Debt Trading Limited and Cerulean Investments LP

Emerging Risks	Key risk trend drivers	How these are mitigated
Interbank Offered Rate discontinuation and transition	There are concerns regarding the impact of the discontinuation of the IBOR benchmarks and the transition to Risk Free Rates (RFRs). LIBOR is relied upon by the Group as a reference rate	• The PLC Group has a global IBOR Transition Programme to consider all aspects of the transition and how risks can be mitigated. The Group leverages the PLC Group's IBOR transition programme given the significant overlap between the Group and PLC Group's operations. • The PLC Group has raised awareness and understanding of the transition, both internally and with clients, with around 6,500 staff and more than 1,900 clients trained globally • From an industry and regulatory perspective, the PLC Group is actively participating in and contributing to different RFR Working Groups, industry associations and business forums focusing on different aspects of the IBOR to RFR transition.
Third party dependency	Economic conditions have impacted businesses globally and placed significant pressure on the financial health of our suppliers, vendors and other third parties. There is a risk of increased cyber threats associated with third-party vendors as a result of COVID-19	• An internal review of third-party risk was completed in Q4 2020 and recommendations to enhance overall third-party risk management are being implemented • Enhanced 2021 risk appetite metrics for vendor services were approved by the Court
New technologies and digitisation (including business disruption risk and responsible use of Artificial Intelligence)	Client expectations and the way they interact with the Group may change, potentially accelerating the adoption of digital solutions	• We monitor emerging trends, opportunities and risk developments in technology which may have implications on the banking sector • We have rolled out enhanced digital capabilities in Retail Banking, particularly around onboarding, sales and marketing • We are enhancing capabilities to ensure our systems are resilient, we remain relevant and can capitalise quickly on technology trends • We continue to make headway in harnessing new technologies, and are investing in machine learning solutions that rapidly analyse large data sets and fine-tune the accuracy of our financial crime tools
Increased data privacy and security risks from strategic and wider use of data	Regulatory requirements and client expectations relating to data management and privacy are increasing across our markets, including the ethical use of data	• We actively monitor regulatory developments in relation to data management, data protection and privacy • The PLC Group has established a dedicated Data and Privacy team to build data management and privacy expertise across the PLC Group while ensuring compliance with data ownership and consent requirements
Increase in long-term remote working providing new challenges	The number of employees working remotely and increasingly advanced capabilities of threat actors have raised this risk in addition to internal (supervision, culture and support) and external (clients and other counterparties) considerations	• The Group has assessed the risk, impact and robustness of continuity plans for pandemic critical vendor services supporting critical banking operations. • We actively monitor cyber threats and risks, and have implemented heightened technical and organisational measures designed to prevent, detect and respond to threats • The Group is undertaking a Future of Work assessment which considers data privacy and cyber security in addition to culture and leadership

Summary

The world has undergone significant upheaval in the past year and we have demonstrated resilience and adapted to the new and distinct challenges we have faced. We recognise that risks will remain heightened during the coming period amid what is likely to be a difficult and uneven economic recovery. We remain vigilant with a focus on achieving the right outcomes for our clients. The actions we take will set the foundations for achieving sustained growth and performance as we build back better during the recovery.

Stakeholders and responsibilities

As an international bank working in 57 markets, stakeholder engagement is central in ensuring we understand local, regional and global perspectives and trends that inform our approach to doing business.

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

This section sets out how:

- we engage stakeholders to understand their interests
- we engage employees and respond to their interests
- we respond to stakeholder interests about community investment, the environment, human rights, conduct and financial crime compliance
- our Court considers stakeholders' interests when making principal decisions

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

Engaging stakeholders

Regular and constructive engagement with our stakeholders including clients, governments, regulators, investors, suppliers, civil society and employees enables us to build trust, understand and respond to the opportunities and challenges facing our markets.

In 2020, the world faced unprecedented change. Alongside key topics including Brexit, sustainable finance and climate change, the global COVID-19 pandemic dominated our engagement with all stakeholder groups as the Group sought to understand the impact of the pandemic and adapt modes of operation to enable us to continue driving commerce and prosperity in our markets.

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

Clients

How we create value

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.

How we serve and engage

Clients are at the heart of everything we do. By building and fostering long-term relationships we can better understand our clients' diverse priorities, and find innovative, tailored solutions to help them achieve their goals.

In 2020, COVID-19 led to a tangible shift in client needs, priorities and the pace of support they required from us. In addition to launching a not-for-profit loan facility to support clients to produce goods and services to help in the fight against COVID-19, we rapidly implemented multiple innovative approaches to minimise disruption to our clients and meet their needs as they arose.

We also launched an e-learning module on Client Vulnerability Awareness to assist retail banking colleagues to identify, understand and support our more vulnerable clients.

Rapid digital transformation was also key to enabling clients to bank from the safety of their homes. Enhanced digital propositions included the rollout of e-signature capabilities for our corporate clients.

In 2021, we will continue to focus on strengthening our digital transformation and innovation capabilities.

Their interests

- Differentiated product and service offering
- Digitally enabled and positive experience
- Sustainable finance

Regulators and Governments

How we create value
We engage with public authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

How we serve and engage
We actively engage with governments, regulators and policymakers at the global, regional and national levels to share insights and support the development of best practice and adoption of consistent approaches across our markets. In 2020, we engaged with policymakers inter alia on topics such as the impact of COVID-19 and related response measures, prudential regulations, Brexit, operational resilience, benchmark reform, sustainable finance, climate risk, fintech, artificial intelligence, cyber security, financial crime and conduct.

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 ensures that the Group meets its obligations and supports the resilience and effective functioning of the broader financial system and economy. In support of this, we have a unified Public and Regulatory Affairs team, responsible for anticipating changes to relevant legislation and regulation, analysing policy developments that have a strategic impact on the Group and managing relationships with regulators and government officials. During 2020, we have improved our capacity to identify and analyse the forward horizon of potential and emerging regulatory policy developments that have strategic impacts on the Group.

We meet all relevant transparency requirements and engage through ongoing dialogue with regulators and governments, submitting responses to formal consultations and by participating in industry working groups.

In 2021, we expect to engage on regulation and legislation associated with recovery from COVID-19, international trade, Brexit, emerging digital technologies and innovations in banking, sustainable finance, and artificial intelligence including data analytics and privacy.

Their interests
- Strong capital base and liquidity position
- Robust standards for conduct
- Healthy economies and competitive markets
- Positive sustainable development, both environmental and social

Debt investors and credit rating agencies

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

How we serve and engage
Our Treasury team has primary responsibility for managing the Group's relationships with debt investors and the three major rating agencies, with local market chief executives and chief financial officers leading on smaller subsidiary ratings. In 2020, management met mostly virtually with debt investors across Europe, North America and Asia, and maintained a regular dialogue with rating agencies. It is important that the Group, as an issuer of senior debt, such as commercial paper and certificates of deposit, maintains regular contact with investors and other counterparts to support continued appetite for the Group's credit. The Group's credit ratings are a key part of the external perception of our financial strength and creditworthiness.

Their interests
- Safe, strong and sustainable financial performance
- Opportunities for sustainable investment

Suppliers

How we create value

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

How we serve and engage

Engagement is guided by PLC Group's Supplier Charter, which sets out what we expect of suppliers on issues such as ethics, anti-bribery and corruption, human rights, diversity and inclusion (D&I) and environmental performance. Our suppliers must recommit to the Charter annually, and performance monitoring is built into our procurement practices and standards.

We engage globally and locally to create value through the supply chain for both our business and our suppliers. In 2020, PLC Group announced a strategic partnership with Microsoft to accelerate our digital transformation through a cloud-first strategy. This partnership marks a significant milestone for Standard Chartered in making its vision for virtual banking, next-generation payments, open banking and banking-as-a-service a reality.

We committed to support our valued suppliers to withstand the COVID-19 pandemic with measures including paying invoices from small and medium-sized suppliers immediately upon receipt. Our payment processes for all suppliers were also further streamlined.

We have made tangible progress against our supply chain sustainability agenda. Alongside the incorporation of Modern Slavery into our risk framework, we also introduced a new control framework to strengthen the governance and management of Modern Slavery risk within our supply chain.

We accelerated our supplier diversity strategy and published our global standard to ensure our suppliers, both current and future, share our mission to increase D&I across the supply chain, embed best practice and ensure that we can collaborate to create an equal marketplace for diverse suppliers.

In 2021, supply chain sustainability will continue to be a primary focus as we roll out initiatives to continue scaling up our supplier D&I practices and further reduce carbon emissions within our own operations.

Our Supplier Charter can be viewed at sc.com/suppliercharter

Read more about our supplier diversity standard: sc.com/supplierdiversity

Their interests

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

Society

How we create value

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

How we serve and engage

We engage with a wide range of civil society and international and local non-governmental organisations (NGOs), from those focused on environmental and public policy issues to partners delivering our community programmes. We always aim for constructive dialogue that helps ensure we understand alternative positions which can shape our thinking, and that our approach to doing business is understood, including where NGOs approach us about a specific client or transaction. The views and concerns of our stakeholders are then fed into the decisions we make. In 2020, against the backdrop of the global pandemic, we continued to engage with organisations on topics including climate change, human rights, and the value of nature to global supply chains to inform our thinking and help shape our Position Statements. This was conducted via one-to-one sessions using online channels and calls, virtual roundtables and written responses on specific topics.

In 2020, we continued to engage NGOs, charities and other organisations to promote youth economic inclusion through Futuremakers by Standard Chartered, and eye health through Seeing is Believing (SiB). We brought Futuremakers participants together with more than 300 business leaders, policy experts and clients to discuss how we can work together to advance youth economic inclusion in the inaugural Futuremakers Forum. We also joined our SiB partner, the International Agency for the Prevention of Blindness, and in excess of 100 other eye health representatives in a virtual conference to celebrate achievements and share learnings from the final year of our long-standing partnership.

As the global pandemic unfolded across our footprint, we increased engagement with organisations providing support for vulnerable groups impacted by COVID-19, including continuing work with established partners, such as Women Win and the Red Cross. Standard Chartered Bank and its parent Group also created a Global Charitable Fund to provide emergency support – and long-term assistance – for the communities most impacted by the pandemic, with more than $22 million dispersed for emergency relief in Standard Chartered Bank markets. Our own employees were given an additional day of volunteering leave – increased from three to four days – to support activities in their own communities.

Their interests
- Positive social and economic contribution
- COVID-19 emergency relief and support for longer-term economic support
- Climate change and environmental issues

Employees

How we create value
We recognise that our workforce is a significant source of value that helps our performance and productivity. Given the advances in technology and the changing needs of our clients, we are using long term strategic workforce planning to understand the required skills, capabilities and culture for a future ready workforce, which then shapes our people and talent interventions.

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

We proactively assess and manage people-related risks, for example, organisation, capability, and culture as part of our Group risk management framework. Our people strategy, as approved by the PLC Board in July 2019 and applicable to the Group, remains valid and COVID-19 has accelerated many of the future of work trends which informed that strategy.

Their interests
In 2018, we conducted research to understand our Employee Value Proposition (EVP) or the value that employees, or potential employees, feel they gain from being part of our organisation. Our employees told us they want to: have interesting and impactful jobs; innovate within a unique set of markets and clients; cultivate a brand that sustainably drives commerce and offers enriching careers and development; and be supported by great people leaders. They want these elements to be anchored in competitive reward and a positive work-life balance. The EVP is a key input to our people strategy which is designed to support delivery of our business strategy while also creating a differentiated employee experience.

Listening to employees
We use feedback from employee engagement surveys to identify and close gaps between employees' expectation and their actual experience. A pulse survey in April 2020 informed us to how employees were coping with the impact of COVID-19 and target support where needed most. This was followed by our primary annual survey, My Voice, in June and July.

Satisfaction was higher this year with 10-point increase in the employee net promoter score (eNPS), which measures the likelihood that employees would recommend working for the bank (increased from +5.42 to +16.24).

During 2020, new ways of working brought greater freedoms and benefits for some colleagues; for many, however, the ongoing uncertainty, physical restrictions and lack of social connection have significantly affected their wellbeing. We are continuing to invest in wellbeing tools such as a mental health app, an upgraded employee assistance service, wellbeing toolkits for employees and people leaders, and learning programmes on mental health and resilience. The pandemic has re-enforced how important our integrated health and wellbeing strategy is and supporting employees with these skills is a long-term area of focus.

We are also listening to employees' preferences for greater flexibility in working arrangements post-pandemic, with 85% of those who expressed interest in 8 of our biggest markets wanting increased flexibility. We recognise the positive lessons to be drawn from the pandemic in terms of productivity, employee experience and talent attraction and retention. Conversely, enforced absence from offices has highlighted the benefits of face-to-face interaction amongst employees and the value of physical workspaces as hubs of teamwork, collaboration and learning. Informed by this data, we are introducing a hybrid model -combining virtual and office-based working with greater flexibility in working patterns and locations.

The Court listens to the view of workforce through several sources, including information reported from senior management on culture and directly via workforce engagement sessions. More information can be found on page 47 in the Director's Report.

Developing skills of future strategic value
The world of work continues to change quickly. We have identified a combination of personal and technical skills required for our employee's success today, tomorrow and in the future. In 2020, we have focused on laying the foundation for upskilling and re-skilling our workforce by building a culture of continuous learning. Our learning intensified during the pandemic and we virtualised all appropriate programs and sessions.

In support of the shift in skills, we have identified a core set of new roles needed and we are developing existing talent into those new roles. This approach unites our recruiting, talent management and learning efforts to target, upskill and place learners into new roles. This will be piloted in 2021 across five core roles before being extended across the bank.

Creating an inclusive culture that leverages our diversity

There is no doubt 2020 has been a challenging year and the need to 'lead inclusively' has been a central theme for our people leaders. Our commitment to D&I is supported by more than 50 employee resource groups (ERGs) that foster a culture of inclusion and provide learning, development and networking opportunities. The ERGs align to our focus areas of gender, ethnicity and nationality, generations, sexual orientation, and disability and wellbeing.

Our diversity is growing with more female leaders coming through our pipeline. The current level of female representation on the Court is 31 per cent. Female representation in senior leadership roles has increased by 1 per cent to 27 percent at the end of 2020.

Inclusion is how we will derive true value from our diverse talent. Pleasingly, our employees feel more included with 80% of colleagues reporting positive sentiments against 'culture of inclusion' questions from our My Voice survey vs 76% in 2019.

In addition to six key[1] D&I dates we recognise across the year several external events heightened awareness of inclusion and equality. In response to global Black Lives Matter protests, we ran a series of listening and engagement sessions on race involving colleagues, people leaders, Management Team and Court members. We shared our guide on 'How to have conversations about race' externally to support clients and communities who were also having these conversations. We signed the UK Business in the Community 'Race at Work Charter' committing to tackle barriers facing ethnic minority talent and establishing partnership with organisations, such as Leadership Enterprise for a Diverse America, to diversify the leadership pipeline. We have committed to ethnicity targets for senior leadership in both the UK and the US and we continue to nurture and develop local talent in markets across Asia, Africa and Middle East ensuring we reflect the diversity of our global clients.

Further, as reported by the World Health Organisation (WHO), there has been a significant increase in global cases of domestic violence and abuse. In response, we became the first bank to develop a framework and Global Standard to support colleagues and a toolkit to share best practice with other organisations.

In line with our Sustainability Aspiration, all markets with 50 or more employees have completed our internal Disability Confident Assessment to help us become a disability confident organisation, with a focus on removing barriers and increasing accessibility.

Group CEO Bill Winters signed the UN Global Standards for Business to tackle discrimination against lesbian, gay, bi, trans and intersex (LGBT+) people in support of our goal of an inclusive culture. This was reinforced by other actions including providing a toolkit on Transgender Inclusion in the workplace, guidance on How to be an Ally, and offering medical and domestic relocation benefits to LGBT+ partners of employees in India.

Our progress is recognised externally. We are in the top 100 organisations in the Bloomberg Gender Equality Index and ranked as a Diversity Leader in the Financial Times report on Diversity and Inclusion in Europe. We are the first financial institution in Singapore to be certified with Economic Dividends for Gender Equality (EDGE) certification. Seven of our D&I champions were recognised by Yahoo Finance HERoes awards for their contributions to gender equality.

Read more about our approach to tackling domestic violence at sc.com/tacklingdomesticabuse and sc.com/toolkitdomesticabuse.

Read more about our ethnicity targets at sc.com/ethnicity and access our toolkit for conversations about race at sc.com/toolkitrace

Sustainable and responsible business

Sustainability is embedded across our business, operations and communities through the three pillars of our sustainability framework – sustainable finance, responsible company and inclusive communities. We believe this approach allows us to deliver on our purpose of driving commerce and prosperity through our unique diversity, in line with our valued behaviours and our brand promise to be Here for good.

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

In 2020, we continued to integrate sustainability across the organisation to drive widespread awareness and support delivery. We continued to progress our management of climate change, including it as a material cross-cutting risk within our risk framework and via the provision of sustainable finance products and services, as well as making our first purchase of offsets for our business travel emissions. We also measured the social and economic impacts of our lending to the infrastructure and manufacturing sectors in Ghana, and plan to use learnings from this study to guide our wider impact measurement strategy in 2021.

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

The Court is responsible for ensuring that high standards of responsible business are maintained and receives information to identify and assess significant risks and opportunities related to environmental and social matters, including climate change.

At a management level, the CEO, Corporate & Institutional Banking and Commercial Banking is responsible for sustainable finance, which incorporates environmental and social risk management. The Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance leads a cross-business Sustainability Forum and dedicated Sustainability team to develop and deliver our broader sustainability strategy and champion sustainability.

We have seen significant interest and engagement in our vision, announced in 2020, to become the world's most sustainable and responsible bank and the leading private sector catalyser of finance for the SDGs in Asia, Africa and the Middle East.

Further information on sustainability can be read in PLC Group's standalone Sustainability Summary and Task Force on Climate-related Financial Disclosures (TCFD) reports at sc.com/sustainabilitysummary and sc.com/tcfd. In 2021, we will provide additional ESG-related information to stakeholders and investors, including via SASB-aligned disclosures.

Read more about our position statements: sc.com/positionstatements

Sustainable Finance

Our dedicated Sustainable Finance team is committed to scaling up sustainable finance and mobilising capital from where it exists to the markets where it is needed most. We are growing our sustainable finance product portfolio to support sustainable development, with products underpinned by a robust approach to governance. Our Green and Sustainable Product Framework developed in collaboration with Sustainalytics and reviewed annually, sets out what qualifies as 'sustainable' and 'green' products and was updated in 2020.

PLC Group's first annual Sustainable Finance Impact Report quantifies the impact of our Sustainability Bond issued in 2019, and for the first time discloses the Sustainable Assets that are aligned to the UN's Sustainable Development Goals (SDGs) in our Sustainable Finance portfolio. These include loans to renewable energy, healthcare, education as well as Microfinance and SME lending in low-income countries.

In response to the COVID-19 pandemic, Standard Chartered Bank and its parent Group committed to providing $1 billion in not-for-profit loans to help finance companies that supply goods and services to help in the battle with COVID-19. By year end, $579 million had been credit approved globally by Standard Chartered PLC, with $450 million of this in Standard Chartered Bank markets.

In 2021 we will continue to grow our sustainable finance proposition and increase lending into areas aligned with the SDGs.

Managing environmental and social risk

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

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

During 2020, we launched an online learning tool aimed at increasing awareness amongst client facing employees of environmental and social risk management as well as sustainable finance. This training will become a mandatory learning module for relevant employees in 2021. We also carried out a review of all our Position Statements, and refreshed documents will be released in 2021.

We work with clients, regulators and peers across the finance sector to continuously improve environmental and social standards. We proactively engage with clients to mitigate identified risks and impacts and support them to improve their environmental and social performance over time. Where this is not possible, transactions have been, and will continue to be, turned down.

During 2020, a number of milestones were achieved under PLC Group's Chairmanship of the EP Association. These include the launch of the EP Association Strategy, publishing guidance on implementing EP during the pandemic, and publishing guidance on implementing EP4 including specific notes on climate change and human rights and indigenous people.

Read more about our reporting against the Equator Principles:

https://www.sc.com/en/sustainability/position-statements/our-framework/equator-principles-reporting/

Responding to climate change

We consider climate change to be one of the greatest challenges facing the world today, given its widespread and proven impacts on the physical environment, human health and its potential to adversely impact economic growth.

Since 2018, we have been working on aligning the emissions from both our own operations and our financing activities to the Paris Agreement goal of below 2 degrees of global warming. In 2019, we set a target to achieve net zero emissions from our operations by 2030 and have made a strong start towards achieving this goal during 2020.

In 2020, we made strides towards mainstreaming the management of climate change as a financial and non-financial risk within key Principal Risk Type Frameworks. This included extending climate risk governance across our markets and client segments.

We acknowledge that climate change is a shared global challenge and believe collaboration with clients, peer banks, industry experts and regulators is key to overcoming these collective challenges. In 2020, PLC Group launched a four-year partnership with Imperial College London, through which we aim to strengthen our own resilience to climate risk and support our clients through their own low-carbon transitions. In December, we sponsored Imperial's research report and public webinar focussed on energy transitions and the coal supply chain in India, designed to generate insights for financial institutions and policymakers seeking to manage the impacts of an accelerating energy transition.

In 2020, PLC Group also formed partnerships with Baringa and Munich Re to develop bespoke tools to strengthen our infrastructure in preparation for the forthcoming BES stress test.

To build internal knowledge and capacity, we also launched new digital learning programmes for climate risk and a Sustainable Finance Academy.

Standard Chartered PLC Group has made disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in a standalone report which provides information in a readily identifiable and accessible format for all interested stakeholders. This can be accessed at sc.com/tcfd.

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

Good conduct is critical to delivering positive outcomes for our clients, markets and stakeholders. In 2020, we continued to enhance conduct risk management and build out approaches to risk identification and mitigation.

Our Code of Conduct (the Code) remains the central tool through which we set our conduct expectations. To reinforce the importance of having the highest standards of behaviour, each year we ask our colleagues to reconsider what the Code means to them and recommit to it. In 2020, we refreshed the mandatory Code e-learning with updated content and a targeted focus on key messages and themes and combined this with the recommitment exercise. 99.7 per cent of our colleagues completed the Code e-learning and recommitment.

In 2021, our focus will be to elevate conduct risk management to become an integral component of the Risk Management Framework and ensure that conduct risk is considered as part of each principal risk type ("PRT"). This is to reflect the overarching nature of conduct risk and recognise that it manifests from risks and events which occur under other PRTs.

Speaking Up

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

We continue to improve our speaking up arrangements; notably, working with an industry leading whistleblowing charity to provide an advice hotline to potential disclosers and increasing the number of speak up advocates who work with country management teams to promote the programme and provide support and guidance to employees. In 2021, we will also be rolling out an enhanced framework to identify and support staff who are at high risk of being victimised for speaking up.

Fighting financial crime

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

We have comprehensive safeguards in place to address threats including money laundering, terrorist financing, sanctions compliance breaches, bribery and other forms of corruption. Our Conduct Financial Crime Compliance (CFCC) team leads our financial crime risk management activities, which include adhering to anti-money laundering and sanctions policies and applying core controls such as client due-diligence screening and monitoring.

In 2020, due to the COVID-19 pandemic, we identified a new range of emerging risks. Our CFCC experts were able to identify red flags in relation to fraud, money laundering, bribery and corruption. Our in-depth knowledge put us in a strong position to share insights with our clients, colleagues and partners. Despite the pandemic impacting our ability to physically hold Correspondent Banking Academies, we adapted and held academies virtually – allowing greater participation in these key forums which drive de-risking through education. Aside from our response to the pandemic we have continued to strengthen our controls by innovation and investment in technology.

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 2020, 99.9 per cent of colleagues completed trainings on ABC training, anti-money laundering and sanctions and fraud. By working in partnership with our client banks, we share best practices on controls for managing Financial Crime Risk and in doing so build a strong network to keep criminal activity out of the financial system.

In 2021, we will continue to adapt our controls to emerging threats by ensuring we have highly trained and experienced employees working with new technologies to detect any abuse of the financial system. We will also continue to partner with, and educate, peer banks and clients in the detection and control of financial crime risks.

For more visit sc.com/fightingfinancialcrime

Respecting human rights

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

Standard Chartered PLC Group's Position Statement on Human Rights outlines our approach, reflecting key frameworks including 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 the Code of Conduct and Supplier Charter.

Our Modern Slavery Statement details the actions we are taking individually or collectively to tackle modern slavery and human trafficking. In 2020 these included a comprehensive update of our framework and processes within our supply chain, and a feasibility analysis on extending our living wage commitment to non-employed and third-party workers.

In 2020, we commenced a review of our Human Rights Position Statement which informs and reflects our policies in this area. We expect this to conclude in early 2021, following consultation with external stakeholders.

Read our 2020 Modern Slavery Statement at sc.com/modernslavery

Managing our environmental footprint

We are committed to improving our environmental performance and reducing the direct environmental impact of our branches and offices. To do this, we measure and manage energy and water efficiency, and greenhouse gas (GHG) emissions closely.

We have measured and reduced our GHG emissions since 2008 and have adopted science-based targets (SBT) to significantly reduce our carbon footprint. Through our Sustainability Aspirations, we have set more ambitious targets to achieve net zero emissions and only use renewable energy sources by 2030. We are reviewing fuels and increasing renewable energy sources to deliver the efficiency improvements needed across our properties to meet these challenging targets.

In 2020, we continued to improve on our property portfolio efficiency despite a drop in occupancy due to COVID-19. As a result, our GHG emissions have reduced by 21 per cent year-on-year.

Water availability is a growing challenge in our markets. Although we did not face any issues sourcing water that was fit for purpose in 2020, we continue to take a sustainable and responsible approach to managing water and reduced water consumption year-on-year.

We are committed to reducing waste in all its forms and in 2019, strengthened our commitment with ambitious targets to reduce waste to 40 kilograms per employee and recycle 90 per cent of our waste by 2025. We are proud to have certified more than 40 of our largest footprint properties as 'single use plastic free'. We choose to send non-recyclable waste to energy generation or compost so that we limit our impact on landfill where possible.

In 2021, we will focus further on removing single-use plastics and reducing waste from all our operations, improving our clean energy procurement and taking the necessary steps to meet our SBTs for net zero greenhouse gas emissions.

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

Inclusive communities

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

In 2020, we increased support for communities in response to the COVID-19 pandemic. We invested $77.5 million in communities and despite COVID-19 restrictions preventing volunteering, employees still contributed more than 13,400 volunteering days to communities, many taking advantage of new opportunities for virtual volunteering.

Vulnerable and disadvantaged young people have been hit hard by the economic impact of the pandemic. Standard Chartered Bank and its parent Group also created a COVID-19 Global Charitable Fund to support emergency relief and youth-focused economic recovery projects as part of Futuremakers by Standard Chartered, our global initiative to tackle inequality. More than $22 million of this was spent on emergency relief in Standard Chartered Bank markets.

The roll-out of Futuremakers programmes continued in 2020 despite the challenging environment. While some were delayed or paused, many programmes overcame COVID-19 restrictions by moving to alternative methods of delivery.

During 2020, we developed new tools to measure Futuremakers' impact, including a theory of change and results framework to track progress. Our inaugural Futuremakers Forum involving business leaders, policy experts, clients and Futuremakers participants came up with recommendations for greater youth economic inclusion. These included improving connections between young people and employers; resolving the challenges of financing for young entrepreneurs; and sharing existing case studies for greater diversity in supply chains.

We marked the final year of Seeing is Believing, our global initiative to tackle avoidable blindness in partnership with the International Agency for the Prevention of Blindness. We continued our support for the eye health sector through the development of the Vision Catalyst Fund and by supporting people with visual impairments through Futuremakers.

During 2021, we will continue to roll-out Futuremakers programmes. We will continue to implement the results framework and host the second Futuremakers Forum, focused on the future of work.

Non-financial information statement

This table sets out where shareholders and stakeholders can find information about key non-financial matters in this report, in compliance with the non-financial reporting requirements contained in sections 414CA and 414 CB of the Companies Act 2006. Further disclosures are available on sc.com and in our 2020 Sustainability Summary.

Reporting requirement	Where to read more in this report about policies, impact (including risks, policy embedding, due diligence and outcomes)
Business model	Pages 11 to 13
Non-financial KPIs	Page 2
Risk Review (principal risks)	Pages 129 to 144
Environment	
• Sustainable & Responsible Business	Page 39
• Directors Report	Pages 45 to 50
Employees	Pages 38 to 39
Human rights	Page 42
Social matters	Page 39
Anti-corruption and anti-bribery	Page 41

Authority

The strategic report up to page 44 has been issued by order of the Court.

Bill Winters
Director

25 February 2021

Company Reference Number: ZC18

Directors' Report

The directors present their report and the audited financial statements of Standard Chartered Bank and its subsidiaries (the 'Group') and Standard Chartered Bank (the 'Company') for the year ended 31 December 2020.

Activities

The activities of the Group are banking and providing other financial services. The Group comprises a network of branches and outlets in 57 markets. The Financial Review on pages 21 to 27 contains a review of the business during 2020.

Key stakeholders

The long-term success of the Group is dependent on its relationships with its key stakeholders. On pages 35 to 43 we outline the ways in which we have engaged with key stakeholders, the material issues that they have raised with us, and how these issues have been taken into account in the Court's decision-making processes.

Results and dividends

The results for the year are given in the income statement on page 164.

No dividends were paid during the year to ordinary shareholders (2019: $11,142 million dividends, including dividends in specie, were paid as a result of the group reorganisation, details of which are given in Note 40, discontinued operations)

Share capital

Details of the Company's share capital are given in Note 27 to the accounts.

Loan capital

Details of the loan capital are given in Note 26 to the accounts.

Property, plant and equipment

Details of the property, plant and equipment of the Company are given in Note 17 to the accounts.

Financial instruments

Details of financial instruments are given in Note 12 to the accounts.

Details of exposure to credit, traded, liquidity and funding risk can be found in the Risk Profile section of the accounts.

Post balance sheet events

Details of post balance sheet events are given in Note 36 to the accounts.

Research and development

During the year, the Group invested in research and development, primarily relating to the planning, analysis, design, development, testing, integration, deployment and initial support of technology systems.

Future developments in the business of the Group

An indication of likely future developments in the business of the Group is provided in the Strategic report.

Directors and their interests

The directors of the Company during the year were as follows:

Mrs T J Clarke (Resigned 31 December 2020)
Mr A N Halford
Mr M Smith
Mr W T Winters
Dr L Cheung (Resigned 25 March 2020)
Mr D P Conner
Dr B E Grote (Resigned 12 November 2020)
Mrs C M Hodgson, CBE (Resigned 30 June 2020)
Ms G Huey Evans, OBE
Mr N Kheraj
Dr N Okonjo-Iweala
Mr D Tang
Mr C Tong
Mr J Viñals
Ms J M Whitbread
Mr P Rivett (Appointed 6 May 2020)
Ms M Ramos (Appointed 1 January 2021)
Ms A Mcfadyen (Appointed 23 February 2021)

Following her appointment as the new Director-General of the World Trade Organisation, Ngozi Okonjo-Iweala will step down from the Court on 28 February 2021.

None of the directors have a beneficial or non-beneficial interest in the shares of the Company or in any of its subsidiary undertakings.

Details of directors' pay and benefits are disclosed in Note 38 to the accounts.

All of the directors as at 31 December 2020, except Mr Smith, are directors of the Company's ultimate holding company, Standard Chartered PLC.

Going concern

In considering the going concern status of the Group, the directors have assessed the key factors, including the current and anticipated impact of COVID-19 likely to affect the Group's business model and strategic plan, future performance, capital adequacy, solvency and liquidity taking into account the emerging risks as well as the principal risks.

This year, the primary focus has been on the evolving macro-financial stress caused by the response of governments, businesses and individuals to COVID-19, with scenario analysis focused on mild, moderate, severe and extreme variants across the Group's footprint markets to ensure that the Group has sufficient capital to withstand this shock.

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

Having made appropriate enquiries, the Court is satisfied that the Company and the Group as a whole have adequate resources to continue operational businesses for a period of at least 12 months from the date of this report and therefore continue to adopt the going concern basis in preparing the financial statements.

Political donations

The Group has a policy in place which prohibits donations being made that would: (i) improperly influence legislation or regulation, (ii) promote political views or ideologies, (iii) fund political causes. In alignment to this, no political donations were made in the year ended 31 December 2020.

Qualifying Third Party Indemnities

The Company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2020 and remain in force at the date of this report.

Qualifying Pension Scheme Indemnities

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2020 for the benefit of the directors of the UK's pension fund corporate trustee (Standard Chartered Trustees (UK) Limited) and remain in force at the date of this report.

Areas of operation

The Company operates through branches and subsidiaries in 57 markets across Asia, the Middle East, Africa, Europe and the Americas.

Related party transactions

Details of transactions with directors and officers and other related parties are set out in Note 35 to the financial statements.

Corporate Governance Statement

Following the creation of the Hong Kong regional hub in 2019, the PLC Group has operated under a two-hub governance model. However, as the Group continues to cover the vast majority of PLC Group's total footprint, the governance arrangements of the Company and PLC similarly reflect this overlap and is represented by mirror board structure between PLC and the Company.

By virtue of the continued alignment with PLC, and the mirrored boards, the Company follows a modified version of UK Corporate Governance Code 2018 (the "Code") based on its position as a wholly-owned subsidiary of a listed PLC and its governance structure as a company established by Royal Charter, and complies with expectations set for premium listed companies with respect to board leadership, responsibilities, composition (including succession and evaluation) to ensure that the Group is well managed, with appropriate oversight and control. Principles under the Code relating to certain matters, such as remuneration, values, and external audit, are set at PLC Group level and considered or approved, if appropriate, by the Court. The reason for these departures from the Code is because it is considered more appropriate for the purposes of Group wide consistency that these principles are set at PLC Board level and then disseminated through the Group to be approved by subsidiary boards.

The Court is supported by 5 executive committees: Audit Committee; Board Risk Committee; Nomination Committee; Standing Committee; and US Risk Committee. Each of the committees and the Court have implemented clear lines of responsibility and policies to support the Court in its effective decision making. The Court, and its Audit and Risk Committees have the same membership as the Board of PLC and its Audit and Risk Committees, with the appropriate balance, skills, background and experience to make a valued contribution. For further information on how the Audit Committee and Risk Committee operate (including in respect of their compliance with the Code), please see pages 108 to 114 and 115 to 120 of PLC's 2020 Annual Report.

The Court, together with the PLC Group, are committed to high standards of engagement with employees, suppliers and other stakeholders. For a description of how the directors engaged with stakeholders, including as to how such engagement has been considered in the Court's decision making, please refer to pages 35 to 43.

Employee involvement

We work hard to ensure that our employees are kept informed about matters affecting or of interest to them, but more importantly to provide opportunities for feedback and dialogue.

We continue to listen and act on feedback from colleagues to ensure internal communications remain impactful and meaningful, in support the Group's strategy and transformation. In addition to the Bridge (our business collaboration platform) which allows colleagues to receive key updates, exchange ideas and provide feedback, we also leverage a range of channels including email broadcasts, newsletters with customised content for each employee, audio and video calls, town halls and other engagement events. To continue to improve the way we communicate and ensure our employee communications remains relevant we periodically analyse and measure the impact of our communications.

Our senior leaders and people leaders continue to have a critical role to play in engaging our people, ensuring that they are kept up to date on key business information, our performance and strategy, their role in executing the strategy and ensuring that they consult and listen to their teams' views, feedback and concerns. Naturally COVID-19 was a major element of communication with our employees in 2020 and pleasingly 94 per cent of those surveyed in April said they were satisfied with the communication they were getting from the organisation about its response to the pandemic, and 92 per cent felt senior leadership were effective in leading. More information on this engagement survey and our annual Myvoice survey can be found within the employee's section of the Strategic Report.

Across the organisation, team meetings with People Leaders, one-to-one discussions, and management meetings enable our people to discuss and clarify matters of concern to them as employees. There are global communications from our Group Chief Executive, supported by local meetings with regional and country CEOs to discuss the annual financial results and overall performance. Performance conversations provide the opportunity to discuss how individuals, the team and the business area have contributed to our overall performance and, in full year conversations, how any compensation awards relate to this.

The Court listens to the view of workforce through several sources, including information reported from senior management on culture and directly via workforce engagement sessions. More information can be found on pages 38 to 39 in the Strategic Report.

Employees, past, present and future can follow our progress through the Group's LinkedIn network and Facebook page, and other social network channels, which collectively have over 1.8m followers.

This mix of channels ensures that all our colleagues receive relevant information promptly regardless of how they prefer to be communicated with and regardless of where they sit in the organisation.

The wellbeing of our employees is central to our thinking about benefits and support, so they can thrive at work and in their personal lives. Our Group minimum standards provide employees with a range of flexible working options, and, in terms of leave, at least 30 days' leave (through annual leave and public holidays), a minimum of 20 calendar weeks' fully paid maternity leave, a minimum of two calendar weeks of leave for spouses or partners, and two calendar weeks for adoption leave. Combined, this is above the International Labour Organisation minimum standards.

We seek to build productive and enduring partnerships with various employee representative bodies (including unions and work councils). In our recognition and interactions, we are heavily influenced by the 1948 United Nations Universal Declaration of Human Rights (UDHR), and several International Labour Organisation (ILO) conventions including the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) and the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). Additionally, we abide by all local country labour laws and regulations that protect employees' rights to organise.

The PLC Grievance Standard provides a formal framework to deal with concerns that employees have in relation to their employment or another colleague, which affects them directly, and cannot be resolved through informal mechanisms, e.g. counselling, coaching or mediation. This can include bullying, harassment or discrimination situations, and concerns around conditions of employment (e.g. health and safety, work relations, new working practices or working environment). There is a distinct Speaking Up Policy which covers instances where an employee wishes to 'blow the whistle' on actual, planned or potential (non-employment related) wrongdoing by another employee or the Group.

The Group is committed to creating a fair, consistent, and transparent approach to making decisions in a disciplinary context. This commitment is codified in our Fair Accountability Principles, which underpin PLC Group's Disciplinary Standard. Dismissals due to misconduct issues and/or performance (where required by law to follow a disciplinary process) are governed by the PLC Group's Disciplinary Standard. Where local law or regulation requires a different process with regards to dismissals and other disciplinary outcomes, we have country variations in place.

Diversity and Inclusion (includes disclosure on employment of disabled persons)

PLC Group's Diversity and Inclusion Standard (the Standard) has been developed to ensure a respectful workplace, with fair and equal treatment, diversity and inclusion, and the provision of opportunities for employees to participate fully and reach their full potential in an appropriate working environment. All individuals are entitled to be treated with dignity and respect, and to be free from harassment, bullying, discrimination and victimisation. This helps support effective and productive working conditions, decreased staff attrition, high morale and engagement, maintains employee wellbeing, and reduced risk.

The Group aims to operate diversity and inclusion policies, standards and practices that provide equality of opportunity for all, protect the dignity of employees and promote respect at work. All employees and contractors are required to take personal and individual responsibility to comply with the Standard, behave in a non-discriminatory way and not to participate in acts of inappropriate behaviour or conduct, harassment or bullying.

The Group is committed to provide equal opportunities and fair treatment in employment. We do not accept unlawful discrimination in our recruitment or employment practices on any grounds including but not limited to; sex, race, colour, nationality, ethnic, national or indigenous origin, disability, age, marital or civil partner status, pregnancy or maternity, sexual orientation, gender identity, expression or reassignment, HIV or AIDS status, parental status, military and veterans status, flexibility of working arrangements, religion or belief.

We strive for recruitment, employment, redundancy and redeployment, training, development, succession planning and promotion practices that are free of barriers, both systemic and deliberate; and that do not directly or indirectly discriminate.

Recruitment, employment, training, development and promotion decisions are based on the existing skills, knowledge and behaviour required to perform the role to the PLC Group's standards. Implied in all employment terms is the commitment to equal pay for equal work. We will also make reasonable workplace adjustments (including during hiring), inclusive for disabilities and religious practices. If employees become disabled, efforts are made to ensure their employment continues, with appropriate training and workplace adjustments where possible.

As part of our engagement with the 'Valuable 500' each country, with 50 or more employees in our network has completed an internal disability assessment and incorporate areas of improvement into their local diversity and inclusion plans. This disability benchmark will help every market measure and demonstrate progress towards becoming disability confident by reviewing inclusive processes and practices, infrastructure accessibility, client accessibility and impact in communities.

Health and safety

Our Health, Safety and wellbeing (H&S) programme covers both mental and physical wellbeing. The PLC Group complies with both external regulatory requirements and internal policy and standards for H&S in all markets. It is PLC Group policy to ensure that the more stringent of the two requirements is always met, ensuring our H&S practices meet or exceed the regulatory minimum. Compliance rates are reported quarterly to each country's management team. H&S performance and risks are reported annually to the PLC Group Risk Committee and the PLC Board Risk Committee. Based on our risk profile, our H&S standards define our requirements for H&S governance and assurance, workstation ergonomics, fire safety, first aid and mental health first aid, indoor air quality and the work environment, vehicle and driving safety, incident reporting and investigation, and accessible design and wellbeing.

Supply Chain Management

For information about how the PLC Group engages with suppliers on environmental and social matters, please see the Supplier Charter and Supplier Diversity and Inclusion Standard.

As set out under the UK Modern Slavery Act 2015, the PLC Group is required to publish a Modern Slavery Statement annually. The PLC Group's 2020 Modern Slavery Statement will be issued at the same time as the Annual Report. This document will give further detail on how the PLC Group has managed modern slavery and human trafficking in its operations, financing and supply chain during 2020.

Product Responsibility

We aim to design and offer products based on client needs to ensure fair treatment and outcomes for clients.

The PLC Group has in place a risk framework, comprising policies and standards, to support these objectives in alignment with our Conduct Risk Framework. This framework covers sales practices, client communications, appropriateness and suitability, and post-sales practice. As part of this, we ensure products sold are suitable for clients and comply with relevant laws and regulations.

We have processes and guidelines specific to each of our client businesses, to promptly resolve client complaints, understand and respond to client issues. Conduct considerations are given significant weighting in front-line incentive structures to drive the right behaviours.

Environmental impact of our operations

We aim to minimise the environmental impact of our operations as part of our commitment to be a responsible company. We report on energy, water, paper and non-hazardous waste data that are the basis of our Greenhouse Gas (GHG) emissions management, as well as the targets we have set to reduce energy, water and paper use.

Reporting period

The reporting period of our environmental data is from 1 October 2019 to 30 September 2020. This allows sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same time period rather than the calendar year used in financial reporting.

Auditor

The Audit Committee reviews the appointment of the Group statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid.

Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all reasonable steps necessary as a director to be aware of any relevant audit information and to establish that EY is made aware of any pertinent information.

A resolution to re-appoint EY as auditor will be proposed at the 2021 PLC Annual General Meeting.

By order of the Court

Bill Winters
Director

25 February 2021

Company Reference Number: ZC18

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU IFRS) and applicable law, and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006 and with EU IFRS;
- Assess the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

Responsibility statement of the directors in respect of the Directors' Report and Financial Statements

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the emerging risks and uncertainties that they face.

We consider the Directors' Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy.

By order of the Court

Andy Halford
Director

25 February 2021

Risk review and Capital review

The following parts of the Risk review and Capital review form part of these financial statements and are audited by the external auditors:

- **a) Risk review:** Disclosures marked as 'audited' from the start of Credit Risk section (page 54) to the end of Other principal risks in the same section (page 122).
- **b) Capital review:** 'CRD Capital base' table marked as 'audited', excluding 'Total risk-weighted assets' (page 153).

Risk profile

Our risk profile in 2020

Our Risk Management Framework (RMF) and well-established risk governance structure enable us to closely manage Group-wide risks with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. We manage emerging risks through a dynamic risk scanning and risk identification process with inputs on the internal and external risk environment, as well as potential threats and opportunities from a business, function and client lens, enabling us to proactively manage our portfolio.

Our portfolios continue to exhibit a resilient risk profile. Our corporate portfolios remain predominantly short-tenor and diversified across industry sectors, products and geographies. Work done in previous years to build a strong foundation, and actions taken in response to the heightened level of risk in the environment brought on by the pandemic, have helped to mitigate deterioration in our portfolios and risk profile.

The table below highlights the Group's overall risk profile associated with our business strategy.

Our risk profile in 2020

Strengthened risk management approach with a distinct RMF for the Group	Resilient performance despite a challenging macroeconomic environment	Our capital and liquidity positions remain robust
• We have launched a distinct RMF for the Group, approved by the Court in June 2020. The RMF sets out the risk management and governance approach for the Group in accordance with the ERMF and gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification. • We set up the Group level risk appetite in June 2020. It is the approved boundary for risk that the Group is willing to undertake. • The initial RMF self-assessment showed that risks are managed effectively in 2020. Over the course of 2021, the Group aims to further strengthen its risk management practices and target further enhancements in the management of financial and non-financial risk types Further details on the RMF can be found in the Risk management approach (pages 123 to 128)	• The Group's proportion of stage 1 and stage 2 loans and advances to customers are at 84 per cent (2019:86 per cent) and 11 per cent (2019: 10 per cent) respectively • Stage 3 loans increased by 24 per cent to $8.3 billion. The overall Stage 3 cover ratio has reduced to 60 per cent (2019: 69 per cent) mainly in Corporate & Institutional Banking, driven by write offs and new stage 3 loans with low levels of coverage, which benefit from credit insurance and guarantees, including from export credit agencies • Total credit impairment increased to $1.9 billion, reflecting the impact of COVID-19, with stage 3 impairment up $0.7 billion to $1.3 billion • 85 per cent of our Retail Banking portfolio is fully secured (2019: 83 per cent). The average loan-to-value ratio of retail mortgages is low and broadly stable at 54 per cent • Total average trading and non-trading value at risk (VaR) was $77 million (2019: $24 million), driven by the extreme market volatility due to COVID-19 and the collapse in oil prices	• Our capital and liquidity positions remain above current requirements • Our Liquidity coverage ratio continues to be above 100 per cent • Our advances-to-deposits ratio decreased by 4.8 per cent to 57 per cent, driven by an increase in overall deposits • Our customer deposit base is diversified by type and maturity

Credit Risk

Basis of preparation

Unless otherwise stated the balance sheet and income statement information presented within this section is based on the Group's management view. This is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. This view reflects how the client segments and regions are managed internally.

Loans and advances to customers and banks held at amortised cost in this Risk profile section include reverse repurchase agreement balances held at amortised cost, per Note 14 Reverse repurchase and repurchase agreements including other similar secured lending and borrowing.

Credit risk overview

Credit Risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group. Credit exposures arise from both the banking and trading books

IFRS 9 methodology

A summary is detailed below:

Impairment model

IFRS 9 requires an impairment model that requires the recognition of expected credit losses (ECL) on all financial debt instruments held at amortised cost, fair value through other comprehensive income (FVOCI), undrawn loan commitments and financial guarantees.

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant change in the credit risk compared to what was expected at origination.

The framework used to determine a significant increase in credit risk is set out below.

Stage 1	Stage 2	Stage 3
• 12-month ECL • Performing	• Lifetime expected credit loss • Performing but has exhibited significant increase in Credit risk (SICR)	• Credit-impaired • Non-performing

IFRS 9 principles and approaches

The main methodology principles and approach adopted by the Group are set out in the following table.

Title	Description	Supplementary Information	Page
Approach to determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. While these models leveraged existing advanced Internal Ratings Based (IRB) models, for determining regulatory expected losses where these were available, there are significant differences between the two approaches.	Credit risk methodology Determining lifetime expected credit loss for revolving products	100 100
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. Refer to page 101 for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables.	Incorporation of forward-looking information and impact of non-linearity Forecast of key macroeconomic variables underlying the expected credit loss calculation	101 101

Title	Description	Supplementary Information	Page
Significant increase in Credit risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis (stage 1) to a lifetime basis (stage 2) when there is a significant increase in Credit risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit-impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.	Quantitative criteria Significant increase in Credit risk thresholds Specific qualitative and quantitative criteria per segment: Corporate & Institutional and Commercial Banking clients Retail Banking clients Private Banking clients Debt securities	105 105 106 106 106 106 106 107
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal Credit risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the Group has granted concessions that it would not ordinarily consider. Following a clarification issued by IFRIC in March 2019, when financial assets are transferred from stage 3 to stage 2, any contractual interest earned while the asset was in stage 3 is recognised within the credit impairment line. Although this differs to the Group's previous approach of recognising a residual amount of this within interest income, there is no material impact on the classification of amounts reported in the income statement in the current or prior period. Further, the gross asset balances for stage 3 financial instruments have been increased to reflect contractual interest due but not paid with a corresponding increase in credit impairment provisions. These changes have been disclosed within the Credit risk section. There has been no net impact on the balance sheet or on shareholders' equity.	Retail Banking clients Corporate & Institutional Banking clients Commercial Banking and Private Banking clients	107 107 107
Transfers between stages	Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that they are paid to current in line with the original contractual terms. Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in Credit risk. This will be immediate when the original PD based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in Credit risk no longer applies (and as long as none of the other transfer criteria apply).	Movement in loan exposures and expected credit losses	68
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's Credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms to the remaining lifetime PD based on the original contractual terms.	Forbearance and other modified loans	79

Title	Description	Supplementary Information	Page
Governance and application of expert credit judgement in respect of expected credit losses	The models used in determining ECL are reviewed and approved by the PLC Group Credit Model Assessment Committee and have been validated by Group model validation, which is independent of the business. A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds then an assessment of whether an ECL adjustment is required to correct for the identified model issue is completed. The determination of expected credit losses requires a significant degree of management judgement which had an impact on governance processes, with the output of the expected credit models assessed by the IFRS 9 Impairment Committee.	PLC Group Credit Model Assessment Committee IFRS 9 Impairment Committee	108 108

Maximum exposure to Credit risk (audited)

The table below presents the Group's maximum exposure to Credit risk for its on-balance sheet and off-balance sheet financial instruments as at 31 December 2020, before and after taking into account any collateral held or other Credit risk mitigation.

The Group's on-balance sheet maximum exposure to Credit risk increased by $32 billion to $491 billion (2019: $458 billion). This was largely driven by $14 billion in Cash and balances at Central banks. Derivative instruments also increased by $20 billion.

Off-balance sheet instruments increased by $14 billion, of which undrawn commitments increased by $7.9 billion and financial guarantee, trade credit and irrevocable letters of credit increased by $6 billion from additional commitments provided to clients.

	2020				2019			
		Credit risk management				Credit risk management		
Group	Maximum exposure $million	Collateral $million	Master netting agreements $million	Net exposure $million	Maximum exposure $million	Collateral $million	Master netting agreements $million	Net exposure $million
On-balance sheet								
Cash and balances at central banks	58,117			58,117	43,926			43,926
Loans and advances to banks[1,8]	27,666	809		26,857	36,948	585		36,363
of which – reverse repurchase agreements and other similar secured lending[7]	809	809		–	585	585		–
Loans and advances to customers[1,8]	140,861	46,341		94,520	139,181	48,218		90,963
of which – reverse repurchase agreements and other similar secured lending[7]	2,919	2,919		–	1,339	1,339		–
Investment securities – debt securities and other eligible bills[2]	85,759			85,759	89,231			89,231
Fair value through profit or loss[3,7]	81,917	62,807	–	19,110	78,302	57,430	–	20,872
Loans and advances to banks	2,771			2,771	3,390			3,390
Loans and advances to customers	3,213			3,213	3,472			3,472
Reverse repurchase agreements and other similar lending[7]	62,807	62,807		–	57,430	57,430		–
Investment securities – debt securities and other eligible bills[2]	13,126			13,126	14,010			14,010
Derivative financial instruments[4,7]	69,225	9,184	52,308	7,733	48,883	7,604	31,106	10,173
Accrued income	1,088			1,088	1,564			1,564
Assets held for sale	83			83	70			70
Other assets[5]	25,873			25,873	20,385			20,385
Total balance sheet	490,589	119,141	52,308	319,140	458,490	113,837	31,106	313,547
Off-balance sheet[6]								
Undrawn commitments	98,882			98,882	90,942			90,942
Financial guarantees, trade credits and irrevocable letters of credit	45,418			45,418	39,249			39,249
Total off-balance sheet	144,300	–	–	144,300	130,191	–	–	130,191
Total	634,889	119,141	52,308	463,440	588,681	113,837	31,106	443,738

1 An analysis of credit quality is set out in the credit quality analysis section (page 63). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 85)

2 Excludes equity and other investments of $328 million (31 December 2019: $735 million). Further details are set out in Note 12 Financial instruments

3 Excludes equity and other investments of $3,037 million (31 December 2019: $2,165 million). Further details are set out in Note 12 Financial instruments

4 The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions

5 Other assets include cash collateral, and acceptances, in addition to unsettled trades and other financial assets

6 Excludes ECL allowances which are reported under Provisions for liabilities and charges

7 Collateral capped at maximum exposure (over-collateralised)

8 Adjusted for over-collateralisation, which has been determined with reference to the drawn and undrawn component as this best reflects the effect on the amount arising from expected credit losses

Company	2020 Maximum exposure $million	2020 Credit risk management Collateral $million	2020 Credit risk management Master netting agreements $million	2020 Net exposure $million	2019 Maximum exposure $million	2019 Credit risk management Collateral $million	2019 Credit risk management Master netting agreements $million	2019 Net exposure $million
On-balance sheet								
Cash and balances at central banks	46,476			46,476	34,734			34,734
Loans and advances to banks[1,8]	14,997	55		14,942	22,265	146		22,119
of which – reverse repurchase agreements and other similar secured lending[7]	55	55		–	146	146		–
Loans and advances to customers[1,8]	72,969	21,396		51,573	76,845	21,583		55,262
of which – reverse repurchase agreements and other similar secured lending[7]	2,283	2,283		–	1,179	1,179		–
Investment securities – debt securities and other eligible bills[2]	70,872			70,872	71,648			71,648
Fair value through profit or loss[3,7]	77,715	62,262	–	15,453	72,717	57,041	–	15,676
Loans and advances to banks	2,771			2,771	3,071			3,071
Loans and advances to customers	2,581			2,581	1,884			1,884
Reverse repurchase agreements and other similar lending[7]	62,262	62,262		–	57,041	57,041		–
Investment securities – debt securities and other eligible bills[2]	10,101			10,101	10,721			10,721
Derivative financial instruments[4,7]	68,910	8,581	53,091	7,238	48,524	7,328	31,092	10,104
Accrued income	733			733	1,148			1,148
Assets held for sale	83			83	70			70
Other assets[5]	23,495			23,495	17,750			17,750
Total balance sheet	376,250	92,294	53,091	230,865	345,701	86,098	31,092	228,511
Off-balance sheet[6]								
Undrawn commitments	69,890			69,890	62,747			62,747
Financial guarantees, trade credits and irrevocable letters of credit	36,142			36,142	30,574			30,574
Total off-balance sheet	106,032	–	–	106,032	93,321	–	–	93,321
Total	482,282	92,294	53,091	336,897	439,022	86,098	31,092	321,832

1 An analysis of credit quality is set out in the credit quality analysis section (page 63). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 85)

2 Excludes equity and other investments of $230 million (31 December 2019: $193 million). Further details are set out in Note 12 Financial instruments

3 Excludes equity and other investments of $2,911 million (31 December 2019: $2,118 million). Further details are set out in Note 12 Financial instruments

4 The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions

5 Other assets include cash collateral, and acceptances, in addition to unsettled trades and other financial assets

6 Excludes ECL allowances which are reported under Provisions for liabilities and charges

7 Collateral capped at maximum exposure (over-collateralised)

8 Adjusted for over-collateralisation, which has been determined with reference to the drawn and undrawn component as this best reflects the effect on the amount arising from expected credit losses

Analysis of financial instrument by stage (audited)

This table shows financial instruments and off-balance sheet commitments by stage, along with the total credit impairment loss provision against each class of financial instrument.

The proportion of financial instruments held within stage 1 remained stable at 92 per cent (2019: 92 per cent). Total stage 1 balances increased by $20 billion, of which around $14 billion is in Cash and balances at Central banks offset by a reduction of $9 billion in loans and advances to Banks. Off balance sheet exposures also increased, up $13 billion, in undrawn commitments and Financial Guarantees.

Stage 2 financial instruments is stable at 6 per cent (2019: 6 per cent). However, the proportion of loans and advances to customers classified in stage 2 increased to 11 per cent (2019: 10 per cent) from stage downgrades mostly Early Alert and in High Risk clients.

Stage 3 financial instruments were stable at 2 per cent of the Group total.

	2020											
	Stage 1			Stage 2			Stage 3			Total		
Group	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	58,054	–	58,054	67	(4)	63	–	–	–	58,121	(4)	58,117
Loans and advances to banks (amortised cost)	27,356	(10)	27,346	323	(3)	320	–	–	–	27,679	(13)	27,666
Loans and advances to customers (amortised cost)	122,883	(331)	122,552	15,606	(619)	14,987	8,289	(4,967)	3,322	146,778	(5,917)	140,861
Debt securities and other eligible bills[5]	82,230	(50)		3,488	(26)		114	(58)		85,832	(134)	
Amortised cost	14,219	(13)	14,206	177	(2)	175	114	(58)	56	14,510	(73)	14,437
FVOCI[2]	68,011	(37)		3,311	(24)		–	–		71,322	(61)	–
Accrued income (amortised cost)[4]	1,088	–	1,088	–	–	–	–	–	–	1,088	–	1,088
Assets held for sale[4]	83	–	83	–	–	–	–	–	–	83	–	83
Other assets[4]	25,873	–	25,873	–	–	–	3	(3)	–	25,876	(3)	25,873
Undrawn commitments[3]	91,641	(23)		7,240	(73)		1	–		98,882	(96)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	41,479	(16)		3,175	(25)		764	(194)		45,418	(235)	
Total	450,687	(430)		29,899	(750)		9,171	(5,222)		489,757	(6,402)	

1 Gross carrying amount for off-balance sheet refers to notional values

2 These instruments are held at fair value on the balance sheet. The ECL provision in respect of debt securities measured at FVOCI is held within the OCI reserve

3 These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount". ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component

4 Stage 1 ECL is not material

5 Stage 3 includes $38 million originated credit-impaired debt securities

	2019											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	43,926	–	43,926	–	–	–	–	–	–	43,926	–	43,926
Loans and advances to banks (amortised cost)	36,164	(3)	36,161	789	(2)	787	–	–	–	36,953	(5)	36,948
Loans and advances to customers (amortised cost)	123,824	(239)	123,585	13,827	(272)	13,555	6,673	(4,632)	2,041	144,324	(5,143)	139,181
Debt securities and other eligible bills	84,609	(47)		4,607	(23)		75	(45)		89,291	(115)	
Amortised cost	11,806	(9)	11,797	240	(6)	234	75	(45)	30	12,121	(60)	12,061
FVOCI[2]	72,803	(38)		4,367	(17)		–	–		77,170	(55)	
Accrued income (amortised cost)[4]	1,564	–	1,564	–	–	–	–	–	–	1,564	–	1,564
Assets held for sale[4]	70	–	70	–	–	–	–	–	–	70	–	70
Other assets	20,386	(3)	20,383	–	–	–	163	(161)	2	20,549	(164)	20,385
Undrawn commitments[3]	84,535	(30)		6,407	(33)		–	–		90,942	(63)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	35,637	(13)		3,009	(15)		603	(206)		39,249	(234)	
Total	430,715	(335)		28,639	(345)		7,514	(5,044)		466,868	(5,724)	

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4 Stage 1 ECL is not material

Company	2020											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	46,476	–	46,476	–	–	–	–	–	–	46,476	–	46,476
Loans and advances to banks (amortised cost)	14,829	(5)	14,824	174	(1)	173	–	–	–	15,003	(6)	14,997
Loans and advances to customers (amortised cost)	60,252	(188)	60,064	10,891	(387)	10,504	5,993	(3,592)	2,401	77,136	(4,167)	72,969
Debt securities and other eligible bills[5]	68,742	(19)		2,083	(10)		84	(29)		70,909	(58)	
Amortised cost	12,713	(8)	12,705	116	–	116	84	(29)	55	12,913	(37)	12,876
FVOCI[2]	56,029	(11)		1,967	(10)		–	–		57,996	(21)	–
Accrued income (amortised cost)[4]	733	–	733	–	–	–	–	–	–	733	–	733
Assets held for sale[4]	83	–	83	–	–	–	–	–	–	83	–	83
Other assets[4]	23,495	–	23,495	–	–	–	–	–	–	23,495	–	23,495
Undrawn commitments[3]	64,701	(15)		5,188	(61)		1	–		69,890	(76)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	33,037	(10)		2,422	(17)		683	(191)		36,142	(218)	
Total[6]	312,348	(237)		20,758	(476)		6,761	(3,812)		339,867	(4,525)	

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4 Stage 1 ECL is not material

5 Stage 3 includes $38 million originated credit-impaired debt securities

6 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $10,885 million. The amounts are held within stage 1 and rated as 'strong' at 31 December 2020 and is net of an expected credit loss of $61 million

	2019											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	34,734	–	34,734	–	–	–	–	–	–	34,734	–	34,734
Loans and advances to banks (amortised cost)	21,696	(1)	21,695	572	(2)	570	–	–	–	22,268	(3)	22,265
Loans and advances to customers (amortised cost)	66,728	(119)	66,609	8,878	(147)	8,731	5,211	(3,706)	1,505	80,817	(3,972)	76,845
Debt securities and other eligible bills	70,515	(29)		1,117	(5)		43	(17)		71,675	(51)	
Amortised cost	10,306	(8)	10,298	165	(2)	163	43	(17)	26	10,514	(27)	10,487
FVOCI[2]	60,209	(21)		952	(3)		–	–		61,161	(24)	
Accrued income (amortised cost)[5]	1,148	–	1,148	–	–	–	–	–	–	1,148	–	1,148
Assets held for sale[5]	70	–	70	–	–	–	–	–	–	70	–	70
Other assets[5]	17,750	–	17,750	–	–	–	6	(6)	–	17,756	(6)	17,750
Undrawn commitments[3]	58,346	(20)		4,401	(20)		–	–		62,747	(40)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	28,065	(7)		1,925	(7)		584	(201)		30,574	(215)	
Total[4]	299,052	(176)		16,893	(181)		5,844	(3,930)		321,789	(4,287)	

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4 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $21,926 million. The amounts are held within stage 1 and rated as 'strong' at 31 December 2019 and is net of an expected credit loss of $21 million

5 Stage 1 ECL is not material

Credit quality analysis (audited)

Credit quality by client segment

For the Corporate & Institutional Banking and Commercial Banking portfolios, exposures are analysed by credit grade (CG), which plays a central role in the quality assessment and monitoring of risk. All loans are assigned a CG, which is reviewed at least annually and amended in light of changes in the borrower's circumstances or behaviour. CGs 1 to 12 are assigned to stage 1 and stage 2 (performing) clients or accounts, while CGs 13 and 14 are assigned to stage 3 (defaulted) clients. The mapping of credit quality is as follows.

Mapping of credit quality

The Group uses the following internal risk mapping to determine the credit quality for loans.

	Corporate & Institutional Banking and Commercial Banking			Private Banking[1]	Retail Banking
Credit quality description	Internal Grade mapping	S&P external ratings equivalent	Regulatory PD range (%)	Internal ratings	Number of days past due
Strong	1A to 5B	AAA to BB+	0 to 0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	6A to 11C	BB to CCC	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher Risk	Grade 12	B-CCC/C	15.751-99.999	GSAM managed	Past due loans 30 days and over till 90 days

1 For Private Banking, classes of risk represent the type of collateral held. Class I represents facilities with liquid collateral, such as cash and marketable securities. Class II represents unsecured/partially secured facilities and those with illiquid collateral, such as equity in private enterprises. Class III represents facilities with residential or commercial real estate collateral. Class IV covers margin trading facilities

The table overleaf sets out the gross loans and advances held at amortised cost, expected credit loss provisions and expected credit loss coverage by business segment and stage. Expected credit loss coverage represents the expected credit loss reported for each segment and stage as a proportion of the gross loan balance for each segment and stage.

Stage 1

Stage 1 gross loans and advances to customers decreased by $1 billion compared with 31 December 2019 and represent 84 per cent of loans and advances to customers (2019: 86 per cent). The stage 1 coverage ratio increased 10 basis points to 0.3 per cent compared with 31 December 2019 as additional provisions were raised from Covid-19 related volatility particularly in Retail banking.

In Corporate & Institutional Banking and Commercial Banking the proportion of stage 1 loans has decreased by 5 per cent to 76 per cent (2019: 81 per cent), although the percentage of stage 1 loans rated as strong is higher at 55 per cent (2019: 54 per cent) as the Group continues to focus on the origination of investment grade lending. Stage 1 loans reduced by $9 billion, primarily in the Energy, Manufacturing and Transport, Telecom and utilities sector. Central & other segment increased by $7.5 billion from exposures to Government sector.

Retail Banking stage 1 loans increased by $0.8 billion primarily driven by new lending in mortgage products and secured wealth products offset by decline in CCPL and unsecured portfolios from repayments and stage transfers. The proportion rated as strong decreased by 1 per cent to 94 per cent (2019: 95 per cent). Stage 1 Private Banking assets reduced by $0.5 billion mainly in secured wealth products and mortgage portfolio.

Stage 2

Stage 2 loans and advances to customers increased by $1.8 billion compared with 31 December 2019, with the proportion of stage 2 loans increasing 1 per cent to 11 per cent. This was largely due to a $2.3 billion increase in Corporate & Institutional Banking and Commercial Banking in Transport, Telecoms and Utilities sector.

The overall stage 2 cover ratio almost doubled to 4 per cent primarily due to management overlays that were raised due to COVID-19 volatility and deterioration in macroeconomic forecasts during the year.

Stage 2 loans to customers classified as 'Higher risk' increased by $0.9 billion, with the majority of the rise in Corporate & Institutional Banking and Commercial Banking following downgrades from early alerts accounts.

Retail Banking stage 2 loans saw a decrease of $0.4 billion mainly due to repayments and stage movements. Private Banking stage 2 loans was broadly stable at $0.2 billion.

Stage 3

Stage 3 loans and advances to customers increased by 24 per cent to $8.3 billion (2019: $6.7 billion), with stage 3 provisions growing by $0.3 billion to $5.0 billion. As a result, the stage 3 cover ratio (excluding collateral) decreased by 9 percentage points to 60 per cent, largely driven by write-offs and new downgrades.

In Corporate & Institutional Banking and Commercial Banking, gross stage 3 loans increased by $1.4 billion (2019: $5.8 billion), which included significant but unrelated downgrades in the ASEAN & South Asia and Africa & Middle East regions of $0.8 billion. Provisions rose by $0.2 billion to $4.4 billion as additional provisions of $1 billion were raised. The cover ratio dropped by 12 percentage points to 62 per cent, of which around 5 per cent of the decrease is due to write-offs and the remaining due to low coverage on new downgrades in 2020 which are partially covered by credit insurance and guarantees, including export credit agencies.

Retail stage 3 loans increased by $0.2 billion driven by the impact of COVID-19 on the portfolio, but remains at 2 per cent of total Retail loans.

Private Banking stage 3 loans remained stable at $0.4 billion.

Loans and advances by client segment (audited)

Group

	2020								
		Customers							
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial guarantees $million
Stage 1	27,356	54,262	32,477	10,616	8,073	17,455	122,883	91,641	41,479
– Strong	19,073	34,135	30,595	1,770	5,231	17,194	88,925	76,849	25,663
– Satisfactory	8,283	20,127	1,882	8,846	2,842	261	33,958	14,792	15,816
Stage 2	323	10,962	1,661	2,785	198	–	15,606	7,240	3,175
– Strong	92	1,627	702	160	194	–	2,683	2,155	238
– Satisfactory	210	7,850	577	2,092	4	–	10,523	4,465	2,256
– Higher risk	21	1,485	382	533	–	–	2,400	620	681
Of which (stage 2):									
– Less than 30 days past due	–	145	577	34	2	–	758	–	–
– More than 30 days past due	5	64	382	84	10	–	540	–	–
Stage 3, credit-impaired financial assets	–	5,275	790	1,835	389	–	8,289	1	764
Gross balance[1]	27,679	70,499	34,928	15,236	8,660	17,455	146,778	98,882	45,418
Stage 1	(10)	(44)	(254)	(25)	(7)	(1)	(331)	(23)	(16)
– Strong	(4)	(17)	(156)	(9)	(5)	–	(187)	(10)	(10)
– Satisfactory	(6)	(27)	(98)	(16)	(2)	(1)	(144)	(13)	(6)
Stage 2	(3)	(342)	(189)	(88)	–	–	(619)	(73)	(25)
– Strong	–	(32)	(67)	–	–	–	(99)	(2)	(3)
– Satisfactory	(3)	(187)	(75)	(59)	–	–	(321)	(40)	(18)
– Higher risk	–	(123)	(47)	(29)	–	–	(199)	(31)	(4)
Of which (stage 2):									
– Less than 30 days past due	–	(4)	(75)	(2)	–	–	(81)	–	–
– More than 30 days past due	–	(3)	(47)	(3)	–	–	(53)	–	–
Stage 3, credit-impaired financial assets	–	(2,964)	(416)	(1,425)	(162)	–	(4,967)	–	(194)
Total credit impairment	(13)	(3,350)	(859)	(1,538)	(169)	(1)	(5,917)	(96)	(235)
Net carrying value	27,666	67,149	34,069	13,698	8,491	17,454	140,861		
Stage 1	0.0%	0.1%	0.8%	0.2%	0.1%	0.0%	0.3%	0.0%	0.0%
– Strong	0.0%	0.0%	0.5%	0.5%	0.1%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	5.2%	0.2%	0.1%	0.4%	0.4%	0.1%	0.0%
Stage 2	0.9%	3.1%	11.4%	3.2%	0.0%	0.0%	4.0%	1.0%	0.8%
– Strong	0.0%	2.0%	9.5%	0.0%	0.0%	0.0%	3.7%	0.1%	1.3%
– Satisfactory	1.4%	2.4%	13.0%	2.8%	0.0%	0.0%	3.1%	0.9%	0.8%
– Higher risk	0.0%	8.3%	12.3%	5.4%	0.0%	0.0%	8.3%	5.0%	0.6%
Of which (stage 2):									
– Less than 30 days past due	0.0%	2.8%	13.0%	5.9%	0.0%	0.0%	10.7%	0.0%	0.0%
– More than 30 days past due	0.0%	4.7%	12.3%	3.6%	0.0%	0.0%	9.8%	0.0%	0.0%
Stage 3, credit-impaired financial assets	0.0%	56.2%	52.7%	77.7%	41.6%	0.0%	59.9%	0.0%	25.4%
Cover ratio	0.0%	4.8%	2.5%	10.1%	2.0%	0.0%	4.0%	0.1%	0.5%
Fair value through profit or loss									
Performing	20,976	47,308	–	449	–	12	47,769	–	–
– Strong	17,045	24,758	–	64	–	8	24,830	–	–
– Satisfactory	3,931	22,468	–	385	–	4	22,857	–	–
– Higher risk	–	82	–	–	–	–	82	–	–
Defaulted (CG13-14)	–	37	–	9	–	–	46	–	–
Gross balance (FVTPL)[2]	20,976	47,345	–	458	–	12	47,815	–	–
Net carrying value (incl FVTPL)	48,642	114,494	34,069	14,156	8,491	17,466	188,676		

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $2,919 million under Customers and of $809 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $44,602 million under Customers and of $18,205 million under Banks, held at fair value through profit or loss

Group

	2019								
		Customers[3]							
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial guarantees $million
Stage 1	36,164	59,716	31,646	13,939	8,587	9,936	123,824	84,535	35,637
– Strong	25,561	36,951	30,117	2,921	5,763	9,805	85,557	72,249	22,974
– Satisfactory	10,603	22,765	1,529	11,018	2,824	131	38,267	12,286	12,663
Stage 2	789	8,945	2,062	2,529	284	7	13,827	6,407	3,009
– Strong	224	1,311	1,529	135	280	–	3,255	3,059	895
– Satisfactory	342	6,576	302	2,199	4	–	9,081	3,055	1,902
– Higher risk	223	1,058	231	195	–	7	1,491	293	212
Of which (stage 2):									
– Less than 30 days past due	2	116	302	57	–	–	475	–	–
– More than 30 days past due	–	175	231	86	4	–	496	–	–
Stage 3, credit-impaired financial assets	–	4,087	549	1,671	366	–	6,673	–	603
Gross balance[1]	36,953	72,748	34,257	18,139	9,237	9,943	144,324	90,942	39,249
Stage 1	(3)	(54)	(159)	(19)	(6)	(1)	(239)	(30)	(13)
– Strong	–	(17)	(80)	–	(4)	–	(101)	(12)	(4)
– Satisfactory	(3)	(37)	(79)	(19)	(2)	(1)	(138)	(18)	(9)
Stage 2	(2)	(128)	(94)	(49)	(1)	–	(272)	(33)	(15)
– Strong	–	(27)	(36)	(1)	(1)	–	(65)	(4)	(1)
– Satisfactory	(2)	(43)	(38)	(36)	–	–	(117)	(12)	(9)
– Higher risk	–	(58)	(20)	(12)	–	–	(90)	(17)	(5)
Of which (stage 2):									
– Less than 30 days past due	–	(3)	(38)	(2)	–	–	(43)	–	–
– More than 30 days past due	–	(4)	(20)	(5)	–	–	(29)	–	–
Stage 3, credit-impaired financial assets	–	(2,950)	(248)	(1,287)	(147)	–	(4,632)	–	(206)
Total credit impairment	(5)	(3,132)	(501)	(1,355)	(154)	(1)	(5,143)	(63)	(234)
Net carrying value	36,948	69,616	33,756	16,784	9,083	9,942	139,181	–	–
Stage 1	0.0%	0.1%	0.5%	0.1%	0.1%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.3%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.0%	0.2%	5.2%	0.2%	0.1%	0.8%	0.4%	0.1%	0.1%
Stage 2	0.3%	1.4%	4.6%	1.9%	0.4%	0.0%	2.0%	0.5%	0.5%
– Strong	0.0%	2.1%	2.4%	0.7%	0.4%	0.0%	2.0%	0.1%	0.1%
– Satisfactory	0.6%	0.7%	12.6%	1.6%	0.0%	0.0%	1.3%	0.4%	0.5%
– Higher risk	0.0%	5.5%	8.7%	6.2%	0.0%	0.0%	6.0%	5.8%	2.4%
Of which (stage 2):									
– Less than 30 days past due	0.0%	2.6%	12.6%	3.5%	0.0%	0.0%	9.1%	0.0%	0.0%
– More than 30 days past due	0.0%	2.3%	8.7%	5.8%	0.0%	0.0%	5.8%	0.0%	0.0%
Stage 3, credit-impaired financial assets	0.0%	72.2%	45.2%	77.0%	40.2%	0.0%	69.4%	0.0%	34.2%
Cover ratio	0.0%	4.3%	1.5%	7.5%	1.7%	0.0%	3.6%	0.1%	0.6%
Fair value through profit or loss									
Performing	21,659	42,155	18	416	–	2	42,591	–	–
– Strong	19,079	24,258	18	20	–	1	24,297	–	–
– Satisfactory	2,580	17,888	–	396	–	1	18,285	–	–
– Higher risk	–	9	–	–	–	–	9	–	–
Defaulted (CG13-14)	–	34	–	8	–	–	42	–	–
Gross balance (FVTPL)[2]	21,659	42,189	18	424	–	2	42,633	–	–
Net carrying value (incl FVTPL)	58,607	111,805	33,774	17,208	9,083	9,944	181,814		

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $1,339 million under Customers and of $585 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $39,161 million under Customers and of $18,269 million under Banks, held at fair value through profit and loss

3 Corporate & Institutional Banking and Commercial Banking Gross and ECL numbers have been restated to reflect client transfers between the segments. The changes are in stage 1 and stage 2 only. In the Fair value through profit or loss section, the swap is between Corporate & Institutional Banking and Commercial Banking

Loans and advances by client segment (audited)

Company

	2020								
		Customers							
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial guarantees $million
Stage 1	14,829	39,592	8,183	6,973	3,199	2,305	60,252	64,701	33,037
– Strong	9,792	26,568	7,793	1,241	1,362	2,059	39,023	52,927	20,668
– Satisfactory	5,037	13,024	390	5,732	1,837	246	21,229	11,774	12,369
Stage 2	174	8,510	579	1,770	32	–	10,891	5,188	2,422
– Strong	27	1,284	332	19	28	–	1,663	1,567	75
– Satisfactory	126	5,929	75	1,372	4	–	7,380	3,303	1,787
– Higher risk	21	1,297	172	379	–	–	1,848	318	560
Of which (stage 2):									
– Less than 30 days past due	–	92	75	30	2	–	199	–	–
– More than 30 days past due	5	54	172	17	10	–	253	–	–
Stage 3, credit-impaired financial assets	–	4,048	358	1,242	345	–	5,993	1	683
Gross balance[1]	15,003	52,150	9,120	9,985	3,576	2,305	77,136	69,890	36,142
Stage 1	(5)	(29)	(141)	(14)	(4)	–	(188)	(15)	(10)
– Strong	(2)	(12)	(100)	(4)	(2)	–	(118)	(7)	(6)
– Satisfactory	(3)	(17)	(41)	(10)	(2)	–	(70)	(8)	(4)
Stage 2	(1)	(247)	(87)	(53)	–	–	(387)	(61)	(17)
– Strong	–	(24)	(58)	–	–	–	(82)	(1)	(1)
– Satisfactory	(1)	(118)	(7)	(39)	–	–	(164)	(33)	(14)
– Higher risk	–	(105)	(22)	(14)	–	–	(141)	(27)	(2)
Of which (stage 2):									
– Less than 30 days past due	–	–	(7)	–	–	–	(7)	–	–
– More than 30 days past due	–	–	(22)	(2)	–	–	(24)	–	–
Stage 3, credit-impaired financial assets	–	(2,284)	(190)	(960)	(158)	–	(3,592)	–	(191)
Total credit impairment	(6)	(2,560)	(418)	(1,027)	(162)	–	(4,167)	(76)	(218)
Net carrying value	14,997	49,590	8,702	8,958	3,414	2,305	72,969		
Stage 1	0.0%	0.1%	1.7%	0.2%	0.1%	0.0%	0.3%	0.0%	0.0%
– Strong	0.0%	0.0%	1.3%	0.3%	0.1%	0.0%	0.3%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	10.5%	0.2%	0.1%	0.0%	0.3%	0.1%	0.0%
Stage 2	0.6%	2.9%	15.0%	3.0%	0.0%	0.0%	3.6%	1.2%	0.7%
– Strong	0.0%	1.9%	17.5%	0.0%	0.0%	0.0%	4.9%	0.1%	1.3%
– Satisfactory	0.8%	2.0%	9.3%	2.8%	0.0%	0.0%	2.2%	1.0%	0.8%
– Higher risk	0.0%	8.1%	12.8%	3.7%	0.0%	0.0%	7.6%	8.5%	0.4%
Of which (stage 2):									
– Less than 30 days past due	0.0%	0.0%	9.3%	0.0%	0.0%	0.0%	3.5%	0.0%	0.0%
– More than 30 days past due	0.0%	0.0%	12.8%	11.8%	0.0%	0.0%	9.5%	0.0%	0.0%
Stage 3, credit-impaired financial assets	0.0%	56.4%	53.1%	77.3%	45.8%	0.0%	59.9%	0.0%	28.0%
Cover ratio	0.0%	4.9%	4.6%	10.3%	4.5%	0.0%	5.4%	0.1%	0.6%
Fair value through profit or loss									
Performing	20,654	46,592	–	319	–	12	46,923	–	–
– Strong	16,723	24,161	–	41	–	8	24,210	–	–
– Satisfactory	3,931	22,349	–	278	–	4	22,631	–	–
– Higher risk	–	82	–	–	–	–	82	–	–
Defaulted (CG13-14)	–	37	–	–	–	–	37	–	–
Gross balance (FVTPL)[2]	20,654	46,629	–	319	–	12	46,960	–	–
Net carrying value (incl FVTPL)	35,651	96,219	8,702	9,277	3,414	2,317	119,929		

1 Loans and advances include reverse repurchase agreements and other similar secured lending for $2,283 million under Customers and for $55 million under Banks, held at amortised cost

2 Loans and advances include reverse repurchase agreements and other similar secured lending for $44,379 million under Customers and for $17,883 million under Banks

Company

Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other item $million	Customer Total $million	Undrawn commitments $million	Financial guarantees $million
	2019								
		Customers[3]							
Stage 1	21,696	44,569	8,727	9,461	3,320	651	66,728	58,346	28,065
– Strong	15,468	29,360	8,308	2,139	1,452	525	41,784	49,385	18,402
– Satisfactory	6,228	15,209	419	7,322	1,868	126	24,944	8,961	9,663
Stage 2	572	6,137	1,041	1,635	65	–	8,878	4,401	1,925
– Strong	26	615	887	80	61	–	1,643	1,731	620
– Satisfactory	329	4,795	67	1,435	4	–	6,301	2,552	1,154
– Higher risk	217	727	87	120	–	–	934	118	151
Of which (stage 2):									
– Less than 30 days past due	2	54	67	47	–	–	168	–	–
– More than 30 days past due	–	163	87	70	4	–	324	–	–
Stage 3, credit-impaired financial assets	–	3,540	202	1,124	345	–	5,211	–	584
Gross balance[1]	22,268	54,246	9,970	12,220	3,730	651	80,817	62,747	30,574
Stage 1	(1)	(38)	(66)	(11)	(4)	–	(119)	(20)	(7)
– Strong	(1)	(15)	(33)	–	(2)	–	(50)	(11)	(5)
– Satisfactory	–	(23)	(33)	(11)	(2)	–	(69)	(9)	(2)
Stage 2	(2)	(81)	(32)	(34)	–	–	(147)	(20)	(7)
– Strong	–	(13)	(13)	–	–	–	(26)	(4)	(3)
– Satisfactory	(2)	(44)	(8)	(24)	–	–	(76)	(3)	–
– Higher risk	–	(24)	(11)	(10)	–	–	(45)	(12)	(4)
Of which (stage 2):									
– Less than 30 days past due	–	(2)	(8)	(1)	–	–	(11)	–	–
– More than 30 days past due	–	(2)	(11)	(3)	–	–	(16)	–	–
Stage 3, credit-impaired financial assets	–	(2,592)	(98)	(872)	(144)	–	(3,706)	–	(201)
Total credit impairment	(3)	(2,711)	(196)	(917)	(148)	–	(3,972)	(40)	(215)
Net carrying value	22,265	51,535	9,774	11,303	3,582	651	76,845	–	–
Stage 1	0.0%	0.1%	0.8%	0.1%	0.1%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.1%	0.4%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.0%	0.2%	7.9%	0.2%	0.1%	0.0%	0.3%	0.1%	0.0%
Stage 2	0.3%	1.3%	3.1%	2.1%	0.0%	0.0%	1.7%	0.5%	0.4%
– Strong	0.0%	2.1%	1.5%	0.0%	0.0%	0.0%	1.6%	0.2%	0.5%
– Satisfactory	0.6%	0.9%	11.9%	1.7%	0.0%	0.0%	1.2%	0.1%	0.0%
– Higher risk	0.0%	3.3%	12.6%	8.3%	0.0%	0.0%	4.8%	10.5%	2.6%
Of which (stage 2):									
– Less than 30 days past due	0.0%	3.7%	11.9%	2.1%	0.0%	0.0%	6.5%	0.0%	0.0%
– More than 30 days past due	0.0%	1.2%	12.6%	4.3%	0.0%	0.0%	4.9%	0.0%	0.0%
Stage 3, credit-impaired financial assets	0.0%	73.2%	48.5%	77.6%	41.7%	0.0%	71.1%	0.0%	34.4%
Cover ratio	0.0%	5.0%	2.0%	7.5%	4.0%	0.0%	4.9%	0.1%	0.7%
Fair value through profit or loss									
Performing	21,276	40,404	–	280	–	2	40,686	–	–
– Strong	18,696	22,977	–	5	–	1	22,983	–	–
– Satisfactory	2,580	17,418	–	275	–	1	17,694	–	–
– Higher risk	–	9	–	–	–	–	9	–	–
Defaulted (CG13-14)	–	34	–	–	–	–	34	–	–
Gross balance (FVTPL)[2]	21,276	40,438	–	280	–	2	40,720	–	–
Net carrying value (incl FVTPL)	43,541	91,973	9,774	11,583	3,582	653	117,565		

1 Loans and advances include reverse repurchase agreements and other similar secured lending of $1,179 million under Customers and of $146 million under Banks, held at amortised cost

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $38,836 million under Customers and of $18,205 million under Banks, held at fair value through profit and loss

3 Corporate & Institutional Banking and Commercial Banking Gross and ECL numbers have been restated to reflect client transfers between the segments. The changes are in stage 1 and stage 2 only

Movement in gross exposures and credit impairment for loans and advances, debt securities, undrawn commitments and financial guarantees (audited)

The tables overleaf set out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and debt securities classified at amortised cost and FVOCI. The tables are presented for the Group and debt securities and other eligible bills.

Methodology

The movement lines within the tables are an aggregation of monthly movements over the year and will therefore reflect the accumulation of multiple trades during the year. The credit impairment charge in the income statement comprises the amounts within the boxes in the table below less recoveries of amounts previously written off. Discount unwind is reported in net interest income and related to stage 3 financial instruments only.

The approach for determining the key line items in the tables is set out below.

- **Transfers** – transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances
- **Net remeasurement from stage changes** – the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12 month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year
- **Net changes in exposures** – new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within Corporate & Institutional Banking and Commercial Banking) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the amounts principally reflect repayments although stage 2 may include new business written where clients are on non-purely precautionary early alert, are a credit grade 12, or when non-investment grade debt securities are acquired.
- **Changes in risk parameters** – for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3
- **Interest due but not paid** – change in contractual amount of interest due in stage 3 financial instruments but not paid, being the net of accruals, repayments and write-offs, together with the corresponding change in credit impairment

Changes to ECL models, which incorporates changes to model approaches and methodologies, is not reported as a separate line item as it has an impact over a number of lines and stages.

Movements during the period

Stage 1 gross exposures decreased by $0.8 billion to $365.6 billion. Corporate & Institutional Banking and Commercial Banking decreased by $6 billion due to net transfers out to stage 2 and repayments and there was also a $2 billion decrease in debt security instruments. These were largely offset by an increase in sovereign exposures of $7 billion.

Stage 1 provisions increased by $98 million to $430 million largely within Retail Banking. In part this was due to a management overlay on unsecured portfolio for the impact of COVID-19 payment reliefs and lockdowns and also as a result of provision increases from an uptick in delinquencies across our markets.

Stage 2 gross exposures increased by $1.2 billion, to $29.8 billion. In Corporate & Institutional Banking, stage 2 exposures increased by $3 billion due to higher levels of non-purely precautionary early alerts and High Risk Accounts. This was offset by Retail Banking exposures largely due to repayments and stage transfers and debt securities are lower by $1.1 billion, as securities transferred back to stage 1 or were repaid.

Stage 2 provisions rose $401 million compared to 31 December 2019, $303 million of which was in Corporate & Institutional Banking and Commercial Banking as a result of net transfers into stage 2 as the macroeconomic environment deteriorated, increased non-purely precautionary balances and a management overlay that was recognised in ‘Changes in risk parameters’ in respect of COVID-19 related uncertainties. Retail Banking increased by $93 million as a result of net transfers into stage 2 due to deteriorating macroeconomic conditions and a management overlay for the impact of COVID-19 payment related reliefs particularly in the unsecured portfolios.

Stage 3 exposures increased by $1.8 billion to $9.2 billion, primarily in Corporate & Institutional Banking and Commercial Banking exposures from new downgrades during the year. Stage 3 provisions also increased by $0.3 billion to $5.2 billion, in part due to a low coverage on new downgrades in 2020 as these are partially covered by credit insurance and guarantees, including export credit agencies.

All segments – Group (audited)

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2019	592,484	(531)	591,953	42,323	(500)	41,823	9,383	(6,215)	3,168	644,190	(7,246)	636,944
Discontinued Operations	(245,989)	181	(245,808)	(7,997)	90	(7,907)	(827)	376	(451)	(254,813)	647	(254,166)
Continuing Operations	346,495	(350)	346,145	34,326	(410)	33,916	8,556	(5,839)	2,717	389,377	(6,599)	382,778
Transfers to stage 1	19,923	(370)	19,553	(19,923)	370	(19,553)	–	–	–	–	–	–
Transfers to stage 2	(46,584)	103	(46,481)	46,777	(117)	46,660	(193)	14	(179)	–	–	–
Transfers to stage 3	(69)	–	(69)	(1,826)	225	(1,601)	1,895	(225)	1,670	–	–	–
Net change in exposures	44,703	(188)	44,515	(30,550)	(5)	(30,555)	(1,172)	255	(917)	12,981	62	13,043
Net remeasurement from stage changes	–	128	128	–	(143)	(143)	–	(329)	(329)	–	(344)	(344)
Changes in risk parameters	–	287	287	–	(213)	(213)	–	(628)	(628)	–	(554)	(554)
Write-offs	–	–	–	–	–	–	(1,515)	1,515	–	(1,515)	1,515	–
Interest due but unpaid	–	–	–	–	–	–	(354)	354	–	(354)	354	–
Discount unwind	–	–	–	–	–	–	–	77	77	–	77	77
Exchange translation differences and other movements[1]	301	58	359	(165)	(52)	(217)	134	(77)	57	270	(71)	199
As at 31 December 2019[2]	364,769	(332)	364,437	28,639	(345)	28,294	7,351	(4,883)	2,468	400,759	(5,560)	395,199
Income statement ECL release/(charge)[3]		227			(361)			(702)			(836)	
Recoveries of amounts previously written off		–			–			145			145	
Total credit impairment release/(charge)		227			(361)			(557)			(691)	

All segments – Group (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2020	364,769	(332)	364,437	28,639	(345)	28,294	7,351	(4,883)	2,468	400,759	(5,560)	395,199
Transfers to stage 1	31,468	(440)	31,028	(31,427)	440	(30,987)	(41)	–	(41)	–	–	–
Transfers to stage 2	(59,857)	376	(59,481)	59,954	(377)	59,577	(97)	1	(96)	–	–	–
Transfers to stage 3	(450)	–	(450)	(3,916)	177	(3,739)	4,366	(184)	4,182	–	(7)	(7)
Net change in exposures[5]	27,828	(99)	27,729	(24,983)	109	(24,874)	(1,261)	216	(1,045)	1,584	226	1,810
Net remeasurement from stage changes	–	82	82	–	(319)	(319)	–	(705)	(705)	–	(942)	(942)
Changes in risk parameters	–	43	43	–	(507)	(507)	–	(955)	(955)	–	(1,419)	(1,419)
Write-offs	–	–	–	–	–	–	(1,508)	1,508	–	(1,508)	1,508	–
Interest due but unpaid	–	–	–	–	–	–	228	(228)	–	228	(228)	–
Discount unwind	–	–	–	–	–	–	–	77	77	–	77	77
Exchange translation differences and other movements[1]	1,831	(60)	1,771	1,565	76	1,641	130	(66)	64	3,526	(50)	3,476
As at 31 December 2020[2]	365,589	(430)	365,159	29,832	(746)	29,086	9,168	(5,219)	3,949	404,589	(6,395)	398,194
Income statement ECL release/(charge)[3]		26			(717)			(1,444)			(2,135)	
Recoveries of amounts previously written off		–			–			157			157	
Total credit impairment release/(charge)[4]		26			(717)			(1,287)			(1,978)	

1 Includes fair value adjustments and amortisation on debt securities
2 Excludes Cash and balances at central banks, Accrued income, Assets held for sale and Other assets
3 Does not include $2 million release (31 December 2019: $8 million provision) relating to Other assets
4 Statutory basis
5 Stage 3 gross includes $38 million originated credit-impaired debt securities

Of which movement of debt securities, alternative tier one and other eligible bills (audited)

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2019	118,715	(27)	118,688	6,908	(31)	6,877	498	(473)	25	126,121	(531)	125,590
Discontinued operations	(50,088)	3	(50,085)	(34)	1	(33)	–	–	–	(50,122)	4	(50,118)
Continuing operations	68,627	(24)	68,603	6,874	(30)	6,844	498	(473)	25	75,999	(527)	75,472
Transfers to stage 1	2,572	(38)	2,534	(2,572)	38	(2,534)	–	–	–	–	–	–
Transfers to stage 2	(2,182)	16	(2,166)	2,182	(16)	2,166	–	–	–	–	–	–
Transfers to stage 3	–	–	–	(1)	–	(1)	1	–	1	–	–	–
Net change in exposures	15,124	(42)	15,082	(1,238)	(10)	(1,248)	–	–	–	13,886	(52)	13,834
Net remeasurement from stage changes	–	22	22	–	(3)	(3)	–	–	–	–	19	19
Changes in risk parameters	–	24	24	–	(6)	(6)	–	7	7	–	25	25
Write-offs	–	–	–	–	–	–	(170)	170	–	(170)	170	–
Interest due but unpaid	–	–	–	–	–	–	(246)	246	–	(246)	246	–
Exchange translation differences and other movements[1]	468	(5)	463	(638)	4	(634)	(8)	5	(3)	(178)	4	(174)
As at 31 December 2019	84,609	(47)	84,562	4,607	(23)	4,584	75	(45)	30	89,291	(115)	89,176
Income statement ECL release/(charge)		4			(19)			7			(8)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment release/(charge)		4			(19)			7			(8)	

Of which movement of debt securities, alternative tier one and other eligible bills (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2020	84,609	(47)	84,562	4,607	(23)	4,584	75	(45)	30	89,291	(115)	89,176
Transfers to stage 1	1,732	(28)	1,704	(1,732)	28	(1,704)	–	–	–	–	–	–
Transfers to stage 2	(1,151)	18	(1,133)	1,151	(18)	1,133	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures[2]	(4,665)	(28)	(4,693)	(452)	11	(441)	39	–	39	(5,078)	(17)	(5,095)
Net remeasurement from stage changes	–	16	16	–	(26)	(26)	–	–	–	–	(10)	(10)
Changes in risk parameters	–	11	11	–	(11)	(11)	–	(6)	(6)	–	(6)	(6)
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	1,705	8	1,713	(86)	13	(73)	–	(7)	(7)	1,619	14	1,633
As at 31 December 2020	82,230	(50)	82,180	3,488	(26)	3,462	114	(58)	56	85,832	(134)	85,698
Income statement ECL charge		(1)			(26)			(6)			(33)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment charge		(1)			(26)			(6)			(33)	

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 gross includes $38 million originated credit-impaired debt securities

All segments – Company (audited)

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2019	261,276	(206)	261,070	19,092	(247)	18,845	6,620	(4,492)	2,128	286,988	(4,945)	282,043
Transfers to stage 1	12,650	(170)	12,480	(12,650)	170	(12,480)	–	–	–	–	–	–
Transfers to stage 2	(31,782)	48	(31,734)	31,950	(60)	31,890	(168)	12	(156)	–	–	–
Transfers to stage 3	(37)	–	(37)	(1,351)	167	(1,184)	1,388	(167)	1,221	–	–	–
Net change in exposures	26,559	(90)	26,469	(21,825)	(22)	(21,847)	(829)	222	(607)	3,905	110	4,015
Net remeasurement from stage changes	–	70	70	–	(78)	(78)	–	(236)	(236)	–	(244)	(244)
Changes in risk parameters	–	155	155	–	(112)	(112)	–	(415)	(415)	–	(372)	(372)
Write-offs	–	–	–	–	–	–	(1,035)	1,035	–	(1,035)	1,035	–
Interest due but unpaid	–	–	–	–	–	–	(151)	151	–	(151)	151	–
Discount unwind	–	–	–	–	–	–	–	47	47	–	47	47
Exchange translation differences and other movements[1]	(23,316)	17	(23,299)	1,677	1	1,678	13	(81)	(68)	(21,626)	(63)	(21,689)
As at 31 December 2019[2]	245,350	(176)	245,174	16,893	(181)	16,712	5,838	(3,924)	1,914	268,081	(4,281)	263,800
Income statement ECL release/(charge)		135			(212)			(429)			(506)	
Recoveries of amounts previously written off		–			–			55			55	
Total credit impairment release/(charge)		135			(212)			(374)			(451)	

All segments – Company (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2020	245,350	(176)	245,174	16,893	(181)	16,712	5,838	(3,924)	1,914	268,081	(4,281)	263,800
Transfers to stage 1	21,378	(229)	21,149	(21,338)	229	(21,109)	(40)	–	(40)	–	–	–
Transfers to stage 2	(41,156)	142	(41,014)	41,215	(143)	41,072	(59)	1	(58)	–	–	–
Transfers to stage 3	(150)	1	(149)	(2,683)	112	(2,571)	2,833	(113)	2,720	–	–	–
Net change in exposures[4]	15,439	(25)	15,414	(14,878)	68	(14,810)	(962)	125	(837)	(401)	168	(233)
Net remeasurement from stage changes	–	50	50	–	(121)	(121)	–	(209)	(209)	–	(280)	(280)
Changes in risk parameters	–	6	6	–	(418)	(418)	–	(436)	(436)	–	(848)	(848)
Write-offs	–	–	–	–	–	–	(1,018)	1,018	–	(1,018)	1,018	–
Interest due but unpaid	–	–	–	–	–	–	185	(185)	–	185	(185)	–
Discount unwind	–	–	–	–	–	–	–	46	46	–	46	46
Exchange translation differences and other movements[1]	700	(6)	694	1,549	(22)	1,527	(16)	(135)	(151)	2,233	(163)	2,070
As at 31 December 2020[2]	241,561	(237)	241,324	20,758	(476)	20,282	6,761	(3,812)	2,949	269,080	(4,525)	264,555
Income statement ECL (charge)/release		31			(471)			(520)			(960)	
Recoveries of amounts previously written off		–			–			69			69	
Total credit impairment (charge)/release[3]		31			(471)			(451)			(891)	

1 Includes fair value adjustments and amortisation on debt securities

2 Excludes Cash and balances at central banks, Accrued income, Assets held for sale and Other assets

3 Statutory basis

4 Stage 3 gross includes $38 million originated credit-impaired debt securities

Of which movement of debt securities, alternative tier one and other eligible bills (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net $million
As at 1 January 2019	61,836	(20)	61,816	1,978	(3)	1,975	–	–	–	63,814	(23)	63,791
Transfers to stage 1	584	(5)	579	(584)	5	(579)	–	–	–	–	–	–
Transfers to stage 2	(87)	3	(84)	87	(3)	84	–	–	–	–	–	–
Transfers to stage 3	–	–	–	(36)	20	(16)	36	(20)	16	–	–	–
Net change in exposures	7,980	(25)	7,955	(406)	(1)	(407)	–	–	–	7,574	(26)	7,548
Net remeasurement from stage changes	–	21	21	–	(3)	(3)	–	–	–	–	18	18
Changes in risk parameters	–	1	1	–	1	1	–	6	6	–	8	8
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	5	(5)	–	5	(5)	–
Exchange translation differences and other movements[1]	202	(4)	198	78	(21)	57	2	2	4	282	(23)	259
As at 31 December 2019	70,515	(29)	70,486	1,117	(5)	1,112	43	(17)	26	71,675	(51)	71,624
Income statement ECL (charge)/release		(3)			(3)			6			–	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		(3)			(3)			6			–	

Of which Movement of debt securities – Company (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2020	70,515	(29)	70,486	1,117	(5)	1,112	43	(17)	26	71,675	(51)	71,624
Transfers to stage 1	41	(19)	22	(41)	19	(22)	–	–	–	–	–	–
Transfers to stage 2	(537)	11	(526)	537	(11)	526	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures[2]	(2,717)	(6)	(2,723)	556	1	557	39	–	39	(2,122)	(5)	(2,127)
Net remeasurement from stage changes	–	3	3	–	(10)	(10)	–	–	–	–	(7)	(7)
Changes in risk parameters	–	12	12	–	4	4	–	(6)	(6)	–	10	10
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	1,440	9	1,449	(86)	(8)	(94)	2	(6)	(4)	1,356	(5)	1,351
As at 31 December 2020	68,742	(19)	68,723	2,083	(10)	2,073	84	(29)	55	70,909	(58)	70,851
Income statement ECL release/(charge)		9			(5)			(6)			(2)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment release/(charge)		9			(5)			(6)			(2)	

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 gross includes $38 million originated credit-impaired debt securities

Credit impairment charge (audited)

The underlying credit impairment charge is $1.9 billion, up $1.3 billion compared to 2019. Stage 3 is $700 million higher at $1.3 billion, of which more than 65 per cent is from Corporate & Institutional Banking.

Stage 1 and 2 impairment has also increased by $550 million to $686 million (2019: $136 million) of which more than half of the increase is due to management overlays of $332 million, with the remainder due to deteriorating macroeconomic forecasts and stage downgrades as a result of COVID-19 related uncertainties.

Corporate & Institutional Banking stage 3 impairments were $0.9 billion (2019: $0.4 billion), mainly from three significant but unrelated downgrades in the first quarter of 2020. Commercial Banking stage 3 impairment was slightly higher at $0.2 billion (2019: $ 0.1 billion) due to a few new client downgrades, reflecting in part the impact of the pandemic.

Stage 1 and 2 Corporate & Institutional Banking and Commercial Banking segments were $277 million and $68 million respectively (2019: Corporate & Institutional Banking $89 million and Commercial Banking $10 million release) with increases due to the deterioration in macroeconomic forecasts and second order impact of stage downgrades. A judgmental overlay of $174 million has also been taken, representing an estimate of the impact of further deterioration to the non-purely precautionary early alert portfolio.

Retail stage 3 impairments are higher, particularly in the ASEAN & South Asia region in unsecured products as volatility created by the pandemic resulted in a slowdown in field collections in key markets. Stage 1 and 2 impairment of $314 million was driven by higher flows into stage 2 and deterioration in macroeconomic forecasts, as well as a judgmental overlay of $148 million to account for the expected increase in delinquencies following the expiry of government relief measures.

Private Banking Stage 3 impairment charge is $4 million, compared to a release in 2019 driven by an ASEAN & South Asia client. Stage 1 and 2 impairment was immaterial (2019: $2 million release)

The Central & other segment saw Stage 1 and 2 impairment of $27 million (2019: $4 million) primarily due to stage downgrades of sovereign counterparties in the Africa & Middle East region.

	2020			2019		
	Stage 1 & 2 $million	**Stage 3 $million**	**Total $million**	Stage 1 & 2 $million	Stage 3 $million	Total $million
Ongoing business portfolio						
Corporate & Institutional Banking	**277**	**858**	**1,135**	89	367	456
Retail Banking	**314**	**190**	**504**	55	120	175
Commercial Banking	**68**	**214**	**282**	(10)	106	96
Private Banking	**–**	**4**	**4**	(2)	(32)	(34)
Central & Others	**27**	**(5)**	**22**	4	–	4
Credit impairment charge	**686**	**1,261**	**1,947**	136	561	697
Restructuring business portfolio						
Others[1]	**2**	**27**	**29**	1	1	2
Credit impairment charge	**2**	**27**	**29**	1	1	2
Total credit impairment charge	**688**	**1,288**	**1,976**	137	562	699

1 There was a net $29 million impairment (31 December 2019: $2 million) from the Group's discontinued businesses

COVID-19 relief measures

COVID-19 payment-related relief measures are in place across most of our markets, particularly focused on Retail and Business Banking customers. These schemes are generally initiated by country regulators and governments. These measures include principal and/or interest moratoria and term extensions and are generally available to eligible borrowers (those that are current or less than 30 days past due, unless local regulators have specified different criteria). Certain schemes may be restricted to those in industries significantly impacted by COVID-19, such as aviation or consumer services, but are not borrower-specific in nature.

Relief measures are generally mandated or supported by regulators and governments and are available to all eligible customers who request it. However in a number of countries, particularly in ASEAN & South Asia and Africa & Middle East, compulsory (regulatory approved) moratoria reliefs are applied to all eligible loans unless a customer has specifically asked to opt out.

In most major Retail Banking markets, the period of relief provided is between 6 and 12 months. In some smaller markets, reliefs are in place for 3 months.

COVID-19 related tenor extensions have also been made available to Corporate & Institutional Banking and Commercial Banking clients, primarily for periods between 3 to 9 months, if they are expected to return to normal payments within 12 months.

Assessment for expected credit losses

COVID-19 payment reliefs that are generally available to a market or industry as a whole and are not borrower-specific in nature have not, on their own, resulted in an automatic change in stage (that is, individual customers are not considered to have experienced a significant increase in credit risk or an improvement in credit risk) nor have they been considered to be forborne.

A customer's stage and past due status reflects their status immediately prior to the granting of the relief, with past due amounts assessed based on the new terms as set out in the temporary payment reliefs.

If a customer requires additional support after the expiry of the initial payment relief period, these will be considered at a borrower level, after taking into account their individual circumstances. Depending on the type of subsequent support provided, these customers may be classified within stage 2 or stage 3.

Where client level government guarantees are in place, these do not affect staging but are taken into account when determining the level of credit impairment.

Impact from temporary changes to loan contractual terms

$2.6 billion of outstanding loan balances have been subject to payment relief measures. This represents 2 per cent of the Group's gross loans and advances to banks and customers.

The granting of COVID-19 payment-related relief measures may cause a time value of money loss for the Group where interest is not permitted to be compounded (that is, interest charged on interest) or where interest is not permitted to be charged or accrued during the relief period. As set out above, such reliefs do not impact a customer's stage and are not considered to be forborne even though a time value of money loss arises. As the relief periods are relatively short-term in nature, and a small percentage of the total loans outstanding, this has not resulted in a material impact for the Group.

The table below sets out the extent to which payment reliefs are in place across the Group's loan portfolio based on the amounts outstanding at 31 December 2020.

The total exposure of the Retail Banking portfolio under moratoria is $1.7 billion, of which $1.2 billion (72 per cent) is from Residential mortgage, which is secured against properties with an average loan-to-value of less than 40 per cent. A large part of moratoria has ended and thus the portfolio under moratoria reduced from $8 billion at its peak in the first half of the year (a significant portion of which was applied to all eligible loans and generally mandated or supported by regulators) to $1.7 billion mainly concentrated in Singapore, which are largely secured. 16 per cent of the total amounts approved are to Business Banking customers, concentrated in industries that have been materially disrupted, of which over 54 per cent is collateralised by commercial immovable property.

In Corporate & Institutional Banking and Commercial Banking, around 65 per cent of the amounts approved are for tenor extensions of 90 days or less. Around 18 per cent of the reliefs granted are to clients in vulnerable sectors.

			ASEAN & South Asia		Africa & Middle East		Europe & Americas	
	Outstanding							
Segment	$million	portfolio[1]	Outstanding $milion	% of portfolio[1]	Outstanding $million	% of portfolio[1]	Outstanding $million	% of portfolio[1]
Credit card & Personal loans	218	4%	90	3%	128	7%		
Mortgages & Auto	1,232	6%	1,202	7%	30	1%		
Business Banking	270	3%	262	4%	8	1%		
Total Retail Banking	**1,720**	**5%**	**1,554**	**5%**	**166**	**3%**		
Corporate & Institutional Banking	675		320		336		20	
Commercial Banking	207		113		93		–	
Total at 31 December 2020	**2,602**	**2%**	**1,987**		**595**		**20**	

1 Percentage of portfolio represents the outstanding amount at 31 December 2020 as a percentage of the gross loans and advances to banks and customers by product and segment and total loans and advances to banks and customers at 31 December 2020

Problem credit management and provisioning

Forborne and other modified loans by client segment (audited)

A forborne loan arises when a concession has been made to the contractual terms of a loan in response to a customer's financial difficulties.

The table below presents loans with forbearance measures by segment.

Group

	2020				
Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
All loans with forbearance measures	2,059	194	626	327	3,206
Credit impairment (stage 1 and 2)	(2)	–	(1)	(1)	(4)
Credit impairment (stage 3)	(800)	(109)	(494)	(2)	(1,405)
Net carrying value	1,257	85	131	324	1,797
Included within the above table					
Gross performing forborne loans	650	24	26	310	1,010
Modification of terms and conditions[1]	650	24	24	310	1,008
Refinancing[2]	–	–	2	–	2
Impairment provisions	(2)	–	(1)	(1)	(4)
Modification of terms and conditions[1]	(2)	–	(1)	(1)	(4)
Refinancing[2]	–	–	–	–	–
Net performing forborne loans	648	24	25	309	1,006
Collateral	307	23	8	–	338
Gross non-performing forborne loans	1,409	170	600	17	2,196
Modification of terms and conditions[1]	1,294	170	547	17	2,028
Refinancing[2]	115	–	53	–	168
Impairment provisions	(800)	(109)	(494)	(2)	(1,405)
Modification of terms and conditions[1]	(721)	(109)	(443)	(2)	(1,275)
Refinancing[2]	(79)	–	(51)	–	(130)
Net non-performing forborne loans	609	61	106	15	791
Collateral	220	26	41	9	296

Amortised cost	2019 Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
All loans with forbearance measures	1,487	162	601	–	2,250
Credit impairment (stage 1 and 2)	(11)	–	(4)	–	(15)
Credit impairment (stage 3)	(743)	(106)	(468)	–	(1,317)
Net carrying value	733	56	129	–	918
Included within the above table					
Gross performing forborne loans	389	10	32	–	431
Modification of terms and conditions[1]	389	10	27	–	426
Refinancing[2]	–	–	5	–	5
Impairment provisions	(11)	–	(4)	–	(15)
Modification of terms and conditions[1]	(11)	–	(4)	–	(15)
Refinancing[2]	–	–	–	–	–
Net performing forborne loans	378	10	28	–	416
Collateral	62	10	9	–	81
Gross non-performing forborne loans	1,098	152	569	–	1,819
Modification of terms and conditions[1]	1,057	152	553	–	1,762
Refinancing[2]	41	–	16	–	57
Impairment provisions	(743)	(106)	(468)	–	(1,317)
Modification of terms and conditions[1]	(712)	(106)	(455)	–	(1,273)
Refinancing[2]	(31)	–	(13)	–	(44)
Net non-performing forborne loans	355	46	101	–	502
Collateral	187	46	66	–	299

1 Modification of terms is any contractual change apart from refinancing, as a result of credit stress of the counterparty, i.e. interest reductions, loan covenant waivers

2 Refinancing is a new contract to a lender in credit stress, such that they are refinanced and can pay other debt contracts that they were unable to honour

Company

Amortised cost	2020 Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
All loans with forbearance measures	1,675	10	287	318	2,290
Credit impairment (stage 1 and 2)	–	–	(1)	(1)	(2)
Credit impairment (stage 3)	(652)	(6)	(240)	(1)	(899)
Net carrying value	1,023	4	46	316	1,389
Included within the above table					
Gross performing forborne loans	600	4	18	310	932
Modification of terms and conditions[1]	600	4	18	310	932
Refinancing[2]	–	–	–	–	–
Impairment provisions	–	–	(1)	–	(1)
Modification of terms and conditions[1]	–	–	(1)	–	(1)
Refinancing[2]	–	–	–	–	–
Net performing forborne loans	600	4	17	310	931
Collateral	296	3	–	–	299
Gross non-performing forborne loans	1,075	6	269	8	1,358
Modification of terms and conditions[1]	960	6	222	8	1,196
Refinancing[2]	115	–	47	–	162
Impairment provisions	(652)	(6)	(240)	–	(898)
Modification of terms and conditions[1]	(573)	(6)	(193)	–	(772)
Refinancing[2]	(79)	–	(47)	–	(126)
Net non-performing forborne loans	423	–	29	8	460
Collateral	166	–	9	8	183

Amortised cost	2019 Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
All loans with forbearance measures	1,202	11	320	–	1,533
Credit impairment (stage 1 and 2)	(7)	–	(2)	–	(9)
Credit impairment (stage 3)	(638)	(5)	(257)	–	(900)
Net carrying value	557	6	61	–	624
Included within the above table					
Gross performing forborne loans	228	4	13	–	245
Modification of terms and conditions[1]	228	4	8	–	240
Refinancing[2]	–	–	5	–	5
Impairment provisions	(7)	–	(2)	–	(9)
Modification of terms and conditions[1]	(7)	–	(2)	–	(9)
Refinancing[2]	–	–	–	–	–
Net performing forborne loans	221	4	11	–	236
Collateral	45	2	–	–	47
Gross non-performing forborne loans	974	7	307	–	1,288
Modification of terms and conditions[1]	933	7	297	–	1,237
Refinancing[2]	41	–	10	–	51
Impairment provisions	(638)	(5)	(257)	–	(900)
Modification of terms and conditions[1]	(607)	(5)	(247)	–	(859)
Refinancing[2]	(31)	–	(10)	–	(41)
Net non-performing forborne loans	336	2	50	–	388
Collateral	172	3	30	–	205

1 Modification of terms is any contractual change apart from refinancing, as a result of credit stress of the counterparty, i.e. interest reductions, loan covenant waivers

2 Refinancing is a new contract to a lender in credit stress, such that they are refinanced and can pay other debt contracts that they were unable to honour

Credit-impaired (stage 3) loans and advances by client segment (audited)

Gross stage 3 loans for the Group have increased by $1.6 billion to $8.3 billion (2019: $6.7 billion), driven by inflows of $3.3 billion from new downgrades particularly in the Corporate & Institutional Banking and Commercial Banking segments which were offset by repayments and write offs during the year. Inflows in 2020 were mainly in the ASEAN & South Asia and Africa & Middle East regions, driven by three significant clients across unrelated sectors downgraded in Corporate & Institutional Banking in Q1 2020.

Gross stage 3 loans in Retail Banking increased by $0.2 billion driven by the impact of COVID-19 on the portfolio, but remains at 2 per cent of total Retail loans.

Gross stage 3 loans in Private Banking remained stable at $0.4 billion.

Stage 3 cover ratio (audited)

The stage 3 cover ratio measures the proportion of stage 3 impairment provisions to gross stage 3 loans, and is a metric commonly used in considering impairment trends. This metric does not allow for variations in the composition of stage 3 loans and should be used in conjunction with other credit risk information provided, including the level of collateral cover.

The balance of stage 3 loans not covered by stage 3 impairment provisions represents the adjusted value of collateral held and the net outcome of any workout or recovery strategies.

Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions. Further information on collateral is provided in the credit risk mitigation section.

Corporate & Institutional Banking cover ratio decreased to 56 per cent from 72 per cent as a result of write-offs, debt sales and new downgrades that have low levels of coverage they benefit from collateral.

Commercial Banking cover ratio increased slightly to 78 per cent (2019: 77 per cent).

Private Banking cover ratio increased to 42 per cent from 40 per cent in 2019. Private Banking clients remain highly collateralised and cover ratio after collateral remained broadly stable at 99 per cent.

Retail cover ratio increased to 53 per cent from 45 per cent in 2019 due to increase of Mortgage portfolio. Cover ratio after collateral increased by 7 per cent to 93 per cent.

Group

	2020				
Amortised cost	**Corporate & Institutional Banking $million**	**Retail Banking $million**	**Commercial Banking $million**	**Private Banking $million**	**Total $million**
Gross credit-impaired	5,275	790	1,835	389	8,289
Credit impairment provisions	(2,964)	(416)	(1,425)	(162)	(4,967)
Net credit-impaired	2,311	374	410	227	3,322
Cover ratio	56%	53%	78%	42%	60%
Collateral ($ million)	679	315	200	224	1,418
Cover ratio (after collateral)	69%	93%	89%	99%	77%

	2019				
Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
Gross credit-impaired	4,087	549	1,671	366	6,673
Credit impairment provisions	(2,950)	(248)	(1,287)	(147)	(4,632)
Net credit-impaired	1,137	301	384	219	2,041
Cover ratio	72%	45%	77%	40%	69%
Collateral ($ million)	482	226	196	211	1,115
Cover ratio (after collateral)	84%	86%	89%	98%	86%

Company

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	2020				
Gross credit-impaired	4,048	358	1,242	345	5,993
Credit impairment provisions	(2,284)	(190)	(960)	(158)	(3,592)
Net credit-impaired	1,764	168	282	187	2,401
Cover ratio	56%	53%	77%	46%	60%
Collateral ($ million)	468	156	124	186	934
Cover ratio (after collateral)	68%	97%	87%	100%	76%

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	2019				
Gross credit-impaired	3,540	202	1,124	345	5,211
Credit impairment provisions	(2,592)	(98)	(872)	(144)	(3,706)
Net credit-impaired	948	104	252	201	1,505
Cover ratio	73%	49%	78%	42%	71%
Collateral ($ million)	390	78	112	195	775
Cover ratio (after collateral)	84%	87%	88%	98%	86%

Movement of credit-impaired (stage 3) loans and advances provisions by client segment (audited)

Credit impairment provisions as at 31 December 2020 was $5.0 billion, compared with $4.6 billion in 2019, with more than half of the increase from Retail Banking due to COVID-19 impact and in Commercial Banking due to additional provisions of $0.2 billion offset by write offs.

The following table shows the movement of credit-impaired (stage 3) provisions for each client segment.

Group

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total[2] $million
	2020				
Gross credit-impaired loans at 31 December	5,275	790	1,835	389	8,289
Credit impairment allowances at 1 January	2,950	248	1,287	147	4,632
Net transfers into and out of stage 3	58	105	21	–	184
New provisions charge[1]	526	47	120	1	694
Changes due to risk parameters[1]	441	282	167	5	895
Net change in exposures[1]	(112)	–	(48)	(2)	(162)
Amounts written off[3]	(869)	(415)	(200)	(1)	(1,485)
Interest due but unpaid	24	91	95	17	227
Discount unwind	(39)	(18)	(13)	(7)	(77)
Exchange translation difference	(15)	76	(4)	2	59
Credit impairment allowances at 31 December	2,964	416	1,425	162	4,967
Net credit impairment	2,311	374	410	227	3,322
Income Statement charge[1]	855	329	239	4	1,427
Recoveries of amounts previously written off	(15)	(139)	(3)	–	(157)
Total Income statement charge	840	190	236	4	1,270

Amortised cost	2019 Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total[2] $million
Gross credit-impaired loans at 31 December	4,087	549	1,671	366	6,673
Credit impairment allowances at 1 January	3,238	396	1,789	163	5,586
Less: Discontinued Operations	(38)	(120)	(215)	–	(373)
Continuing Operations	3,200	276	1,574	163	5,213
Net transfers into and out of stage 3	108	87	16	–	211
New provisions charge[1]	170	42	73	–	285
Changes due to risk parameters[1]	315	223	87	(26)	599
Net change in exposures[1]	(156)	–	(59)	(6)	(221)
Amounts written off[3]	(631)	(361)	(351)	(2)	(1,345)
Interest due but unpaid	(45)	–	(79)	17	(107)
Discount unwind	(37)	(25)	(11)	(4)	(77)
Exchange translation difference	26	6	37	5	74
Credit impairment allowances at 31 December	2,950	248	1,287	147	4,632
Net credit impairment	1,137	301	384	219	2,041
Income Statement charge / (release)[1]	330	265	101	(32)	664
Recoveries of amounts previously written off	–	(145)	–	–	(145)
Total Income statement charge/(release)	330	120	101	(32)	519

1 Components of the income statement charge/(release)

2 Excludes credit impairment relating to loan commitments and financial guarantees

3 In Retail Banking $381 million (2019: $322 million) of the amounts written off remains subject to enforcement activity

Company

Amortised cost	2020 Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total[2] $million
Gross credit-impaired loans at 31 December	4,048	358	1,242	345	5,993
Credit impairment allowances at 1 January	2,592	98	872	144	3,706
Net transfers into and out of stage 3	38	54	20	–	112
New provisions charge[1]	86	31	82	–	199
Changes due to risk parameters[1]	200	100	94	5	399
Net change in exposures[1]	(68)	–	(7)	(1)	(76)
Amounts written off[3]	(660)	(178)	(179)	(1)	(1,018)
Interest due but unpaid	18	63	88	17	186
Discount unwind	(29)	(2)	(8)	(7)	(46)
Exchange translation difference	107	24	(2)	1	130
Credit impairment allowances at 31 December	2,284	190	960	158	3,592
Net credit impairment	1,764	168	282	187	2,401
Income Statement charge[1]	218	131	169	4	522
Recoveries of amounts previously written off	(15)	(53)	(1)	–	(69)
Total Income statement charge	203	78	168	4	453

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total[2] $million
	2019				
Gross credit-impaired loans at 31 December	3,540	202	1,124	345	5,211
Credit impairment allowances at 1 January	2,943	91	1,140	162	4,336
Net transfers into and out of stage 3	78	48	9	–	135
New provisions charge[1]	111	23	60	–	194
Changes due to risk parameters[1]	260	106	45	(26)	385
Net change in exposures[1]	(149)	–	(32)	(6)	(187)
Amounts written off[3]	(609)	(176)	(249)	(2)	(1,036)
Interest due but unpaid	(57)	–	(115)	16	(156)
Discount unwind	(36)	(1)	(6)	(4)	(47)
Exchange translation difference	51	7	20	4	82
Credit impairment allowances at 31 December	2,592	98	872	144	3,706
Net credit impairment	948	104	252	201	1,505
Income Statement charge / (release)[1]	222	128	73	(32)	391
Recoveries of amounts previously written off	–	(55)	–	–	(55)
Total Income statement charge/(release)	222	73	73	(32)	336

1 Components of the income statement charge/(release)

2 Excludes credit impairment relating to loan commitments and financial guarantees

3 In Retail Banking $180 million (2019: $158 million) of the amounts written off remains subject to enforcement activity

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance and credit derivatives, taking into account expected volatility and guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Collateral (audited)

The requirement for collateral is not a substitute for the ability to repay, which is the primary consideration for any lending decisions.

The unadjusted market value of collateral across all asset types, in respect of Corporate & Institutional Banking and Commercial Banking, without adjusting for over-collateralisation, was $18.2 billion in 2020 (2019: $19.2 billion) reflecting decrease in total exposure.

The collateral values in the table below (which covers loans and advances to banks and customers, excluding those held at fair value through profit or loss) are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. The extent of over-collateralisation has been determined with reference to both the drawn and undrawn components of exposure as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. We have remained prudent in the way we assess the value of collateral, which is calibrated for a severe downturn and backtested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value. In the Retail Banking and Private Banking segments, a secured loan is one where the borrower pledges an asset as collateral of which the Group is able to take possession in the event that the borrower defaults.

Private Banking collateral is $6.0 billion, lower in line with reductions in secured wealth portfolio.

Total collateral for Central & other items increased by $1.4 billion compared to 2019 due to an increase in lending under reverse repurchase agreements.

Collateral held on loans and advances (audited)

The table below details collateral held against exposures, separately disclosing stage 2 and stage 3 exposure and corresponding collateral.

Group

	2020								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate & Institutional Banking[1]	94,815	10,940	2,311	14,980	3,554	679	79,835	7,386	1,632
Retail Banking	34,069	1,472	374	20,923	980	315	13,146	492	59
Commercial Banking	13,698	2,697	410	3,234	955	200	10,464	1,742	210
Private Banking	8,491	198	227	5,960	121	224	2,531	77	3
Central & other items	17,454	–	–	2,053	–	–	15,401	–	–
Total	**168,527**	**15,307**	**3,322**	**47,150**	**5,610**	**1,418**	**121,377**	**9,697**	**1,904**

	2019[3]								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets $million
Corporate & Institutional Banking[1]	106,564	9,604	1,137	15,393	2,139	482	91,171	7,465	655
Retail Banking	33,756	1,968	301	22,405	1,746	226	11,351	222	75
Commercial Banking	16,784	2,480	384	3,849	900	196	12,935	1,580	188
Private Banking	9,083	283	219	6,484	188	211	2,599	95	8
Central & other items	9,942	7	–	672	–	–	9,270	7	–
Total	176,129	14,342	2,041	48,803	4,973	1,115	127,326	9,369	926

1 Includes loans and advances to banks

2 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

3 Corporate & Institutional Banking and Commercial Banking net amount outstanding, collateral and net exposure numbers have been restated to reflect client transfers between the two segments

Company

Amortised cost	Net amount outstanding Total $million	Net amount outstanding Stage 2 financial assets $million	Net amount outstanding Credit-impaired financial assets $million	Collateral Total[2] $million	Collateral Stage 2 financial assets $million	Collateral Credit-impaired financial assets $million	Net exposure Total $million	Net exposure Stage 2 financial assets $million	Net exposure Credit-impaired financial assets $million
2020									
Corporate & Institutional Banking[1]	64,587	8,436	1,764	10,994	2,833	468	53,593	5,603	1,296
Retail Banking	8,702	492	168	4,347	419	156	4,355	73	12
Commercial Banking	8,958	1,717	282	1,975	583	124	6,983	1,134	158
Private Banking	3,414	32	187	2,785	9	186	629	23	1
Central & other items	2,305	–	–	1,350	–	–	955	–	–
Total	87,966	10,677	2,401	21,451	3,844	934	66,515	6,833	1,467

Amortised cost	Net amount outstanding Total $million	Net amount outstanding Stage 2 financial assets $million	Net amount outstanding Credit-impaired financial assets $million	Collateral Total[2] $million	Collateral Stage 2 financial assets $million	Collateral Credit-impaired financial assets $million	Net exposure Total $million	Net exposure Stage 2 financial assets $million	Net exposure Credit-impaired financial assets $million
2019[3]									
Corporate & Institutional Banking[1]	73,800	6,626	948	11,332	1,671	390	62,468	4,955	558
Retail Banking	9,774	1,009	104	4,629	949	78	5,145	60	26
Commercial Banking	11,303	1,601	252	2,454	587	112	8,849	1,014	140
Private Banking	3,582	65	201	2,802	51	195	780	14	6
Central & other items	651	–	–	512	–	–	139	–	–
Total	99,110	9,301	1,505	21,729	3,258	775	77,381	6,043	730

1 Includes loans and advances to banks

2 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

3 Corporate & Institutional Banking and Commercial Banking net amount outstanding, collateral and net exposure numbers have been restated to reflect client transfers between the two segments

Collateral – Corporate & Institutional Banking and Commercial Banking (audited)

Collateral held against Corporate & Institutional Banking and Commercial Banking exposures amounted to $18 billion.

75 per cent of tangible collateral held comprises physical assets or is property based, with the remainder largely in cash and investment securities.

Non-tangible collateral such as guarantees and standby letters of credit is also held against corporate exposures, although the financial effect of this type of collateral is less significant in terms of recoveries. However, this is considered when determining probability of default and other credit-related factors. Collateral is also held against off-balance sheet exposures, including undrawn commitments and trade-related instruments.

The following table provides an analysis of the types of collateral held against Corporate & Institutional Banking and Commercial Banking loan exposures.

Group

Corporate & Institutional Banking (audited)

Amortised cost	2020 $million	2019[2] $million
Maximum exposure	**94,815**	106,564
Property	**4,176**	4,198
Plant, machinery and other stock	**648**	876
Cash	**1,427**	2,397
Reverse repos	**1,727**	1,244
A- to AA+	**–**	–
BBB- to BBB+	**740**	439
Unrated	**987**	805
Financial guarantees and insurance	**3,977**	4,695
Commodities	**46**	42
Ships and aircraft	**2,979**	1,941
Total value of collateral[1]	**14,980**	15,393
Net exposure	**79,835**	91,171

Commercial Banking (audited)

Amortised cost	2020 $million	2019[2] $million
Maximum exposure	**13,698**	16,784
Property	**1,484**	1,553
Plant, machinery and other stock	**911**	1,229
Cash	**259**	356
Reverse repos	**7**	8
A- to AA+	**–**	–
BBB- to BBB+	**2**	1
Unrated	**5**	7
Financial guarantees and insurance	**377**	456
Commodities	**–**	21
Ships and aircraft	**196**	226
Total value of collateral[1]	**3,234**	3,849
Net exposure	**10,464**	12,935

1 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

2 Maximum exposure, collateral and net exposure balances have been restated to reflect client transfers between Corporate & Institutional Banking and Commercial Banking

Company

Corporate & Institutional Banking (audited)

Amortised cost	2020 $million	2019[2] $million
Maximum exposure	**64,587**	73,800
Property	**2,811**	2,998
Plant, machinery and other stock	**448**	421
Cash	**1,083**	2,125
Reverse repos	**968**	805
A- to AA+	**–**	–
BBB- to BBB+	**–**	–
Unrated	**968**	805
Financial guarantees and insurance	**3,694**	3,794
Commodities	**45**	28
Ships and aircraft	**1,945**	1,161
Total value of collateral[1]	**10,994**	11,332
Net exposure	**53,593**	62,468

Commercial Banking (audited)

Amortised cost	2020 $million	2019[2] $million
Maximum exposure	**8,958**	11,303
Property	**828**	950
Plant, machinery and other stock	**625**	876
Cash	**141**	167
Reverse repos	**6**	8
A- to AA+	**–**	–
BBB- to BBB+	**1**	1
Unrated	**5**	7
Financial guarantees and insurance	**297**	373
Commodities	**–**	–
Ships and aircraft	**78**	80
Total value of collateral[1]	**1,975**	2,454
Net exposure	**6,983**	8,849

1 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

2 Maximum exposure, collateral and net exposure balances have been restated to reflect client transfers between Corporate & Institutional Banking and Commercial Banking

Collateral – Retail Banking and Private Banking (audited)

In Retail Banking and Private Banking, 85 per cent of the portfolio is fully secured. The proportion of unsecured loans was 1 per cent lower at 14 per cent and the remaining 1 per cent is partially secured.

The following table presents an analysis of loans to individuals by product; split between fully secured, partially secured and unsecured:

	2020				2019			
Amortised cost	**Fully secured $million**	**Partially secured $million**	**Unsecured $million**	**Total $million**	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	**36,251**	**444**	**5,865**	**42,560**	35,409	899	6,531	42,839
Loans to individuals								
Mortgages	**22,914**	**–**	**–**	**22,914**	22,507	96	5	22,608
CCPL	**142**	**–**	**5,766**	**5,908**	122	8	6,459	6,589
Auto	**536**	**–**	**–**	**536**	562	–	10	572
Secured wealth products	**12,550**	**–**	**–**	**12,550**	12,117	125	–	12,242
Other	**109**	**444**	**99**	**652**	101	670	57	828
Total collateral[1]				**26,883**				28,889
Net exposure[2]				**15,677**				13,950
Percentage of total loans	**85%**	**1%**	**14%**		83%	2%	15%	

1 Collateral values are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation

2 Amounts net of ECL

Mortgage loan-to-value ratios by geography (audited)

Loan-to-value (LTV) ratios measure the ratio of the current mortgage outstanding to the current fair value of the properties on which they are secured.

In mortgages, the value of property held as security significantly exceeds the value of mortgage loans. The average LTV of the overall mortgage portfolio is low at 54 per cent. Singapore, which represents 72 per cent of the Retail mortgage portfolio as at 31 December 2020 has an average LTV of 54.5 per cent.

An analysis of LTV ratios by geography for the mortgage portfolio is presented in the table below.

	2020			
Amortised cost	**ASEAN & South Asia % Gross**	**Africa & Middle East % Gross**	**Europe & Americas % Gross**	**Total % Gross**
Less than 50 per cent	**41.5**	**22.1**	**16.4**	**37.6**
50 per cent to 59 per cent	**18.1**	**15.0**	**28.0**	**18.8**
60 per cent to 69 per cent	**21.0**	**19.6**	**29.0**	**21.6**
70 per cent to 79 per cent	**16.3**	**20.7**	**21.7**	**17.2**
80 per cent to 89 per cent	**2.2**	**7.4**	**3.7**	**2.8**
90 per cent to 99 per cent	**0.5**	**6.0**	**0.6**	**0.9**
100 per cent and greater	**0.4**	**9.2**	**0.6**	**1.1**
Average portfolio loan-to-value	**52.2**	**64.7**	**60.4**	**53.8**
Loans to individuals – mortgages ($million)	**18,887**	**1,871**	**2,156**	**22,914**

Amortised cost	2019 ASEAN & South Asia % Gross	Africa & Middle East % Gross	Europe & Americas % Gross	Total % Gross
Less than 50 per cent	43.4	21.6	10.8	38.2
50 per cent to 59 per cent	19.4	14.2	26.3	19.6
60 per cent to 69 per cent	22.5	21.0	29.5	23.1
70 per cent to 79 per cent	12.5	19.0	28.0	14.6
80 per cent to 89 per cent	1.7	11.5	4.5	2.9
90 per cent to 99 per cent	0.3	6.5	0.4	0.9
100 per cent and greater	0.2	6.2	0.6	0.8
Average portfolio loan-to-value	50.7	66.6	62.2	53.2
Loans to individuals – mortgages ($million)	18,301	2,047	2,259	22,607

Collateral and other credit enhancements possessed or called upon

The Group obtains assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees). Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance the excess is returned to the borrower.

Certain equity securities acquired may be held by the Group for investment purposes and are classified as fair value through profit or loss, and the related loan written off. The carrying value of collateral possessed and held by the Group as at 31 December 2020 is $23.2 million (2019: $37.0 million).

	2020 $million	2019 $million
Property, plant and equipment	**18.2**	29.0
Guarantees	**4.8**	5.2
Cash	**–**	2.7
Other	**0.2**	0.1
Total	**23.2**	37.0

Other credit risk mitigation (audited)

Other forms of credit risk mitigation are set out below.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $10.5 billion (2019: $14.5 billion). These credit default swaps are accounted for as financial guarantees as per IFRS 9 as they will only reimburse the holder for an incurred loss on an underlying debt instrument. The Group continues to hold the underlying assets referenced in the credit default swaps and it continues to be exposed to related credit and foreign exchange risk on these assets.

Credit linked notes

The Group has issued credit linked notes for portfolio management purposes, referencing loan assets with a notional value of $8.0 billion (2019: $4.5 billion). The Group continues to hold the underlying assets for which the credit linked notes provide mitigation.

Derivative financial instruments

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. These are set out in more detail under Derivative financial instruments credit risk mitigation (page 85).

Off-balance sheet exposures

For certain types of exposures, such as letters of credit and guarantees, the Group obtains collateral such as cash depending on internal credit risk assessments, as well as in the case of letters of credit holding legal title to the underlying assets should a default take place

Other portfolio analysis

This section provides maturity analysis of loans and advances by business segment.

Maturity analysis of loans and advances by client segment (audited)

Loans and advances to the Corporate & Institutional Banking and Commercial Banking segments remain predominantly short-term, with 58 per cent (2019: 59 per cent) maturing in less than one year. 96 per cent (2019: 96 per cent) of loans to banks mature in less than one year. Shorter maturities give us the flexibility to respond promptly to events and rebalance or reduce our exposure to clients or sectors that are facing increased pressure or uncertainty.

The Private Banking loan book is mostly short term with around 91 per cent of lending maturing in one year or less which is typical for loans that are secured on wealth management assets.

The Retail Banking loan book continues to be longer-term in nature with 62 per cent (2019: 61 per cent) of the loans maturing over five years, as mortgages constitute the majority of this portfolio.

Group

	2020			
Amortised cost	**One year or less $million**	**One to five years $million**	**Over five years $million**	**Total $million**
Corporate & Institutional Banking	39,202	21,643	9,654	70,499
Retail Banking	8,311	4,947	21,670	34,928
Commercial Banking	10,676	3,515	1,045	15,236
Private Banking	7,849	377	434	8,660
Central & other items	17,013	441	1	17,455
Gross loans and advances to customers	83,051	30,923	32,804	146,778
Impairment provisions	(5,191)	(608)	(118)	(5,917)
Net loans and advances to customers	77,860	30,315	32,686	140,861
Net loans and advances to banks	26,559	1,105	2	27,666

	2019			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate & Institutional Banking[1]	40,442	23,654	8,652	72,748
Retail Banking	8,282	5,033	20,942	34,257
Commercial Banking[1]	13,177	3,934	1,028	18,139
Private Banking	8,290	507	440	9,237
Central & other items	9,943	–	–	9,943
Gross loans and advances to customers	80,134	33,128	31,062	144,324
Impairment provisions	(4,494)	(260)	(389)	(5,143)
Net loans and advances to customers	75,640	32,868	30,673	139,181
Net loans and advances to banks	35,367	1,581	–	36,948

1 Gross numbers have been restated to reflect client transfers between Corporate & Institutional Banking and Commercial Banking

Company

	2020			
Amortised cost	**One year or less $million**	**One to five years $million**	**Over five years $million**	**Total $million**
Corporate & Institutional Banking	28,300	15,793	8,057	52,150
Retail Banking	2,521	2,487	4,112	9,120
Commercial Banking	7,088	2,244	653	9,985
Private Banking	3,071	371	134	3,576
Central & other items	2,055	250	–	2,305
Gross loans and advances to customers	43,035	21,145	12,956	77,136
Impairment provisions	(3,649)	(439)	(79)	(4,167)
Net loans and advances to customers	39,386	20,706	12,877	72,969
Net loans and advances to banks	14,052	943	2	14,997

Amortised cost	2019 One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate & Institutional Banking[1]	28,752	18,141	7,353	54,246
Retail Banking	2,709	2,961	4,300	9,970
Commercial Banking[1]	9,064	2,510	646	12,220
Private Banking	3,213	407	110	3,730
Central & other items	651	–	–	651
Gross loans and advances to customers	44,389	24,019	12,409	80,817
Impairment provisions	(3,561)	(124)	(287)	(3,972)
Net loans and advances to customers	40,828	23,895	12,122	76,845
Net loans and advances to banks	21,086	1,178	1	22,265

1 Gross numbers have been restated to reflect client transfers between Corporate & Institutional Banking and Commercial Banking

Credit quality by industry

Loans and advances

This section provides an analysis of the Group's amortised cost portfolio by industry on a gross, total credit impairment and net basis.

From an industry perspective, loans and advances increased by $2.5 billion compared to 31 December 2019, of which $2.4 billion is in Corporates and the Central & other segment and Retail exposures remained broadly stable at $44 billion.

The increase in the corporate book is largely a $7.7 billion increase in lending to Governments, offset by a $2.0 billion decrease in the Energy sector and $1.9 billion decrease in Manufacturing.

Total wholesale stage 2 loans increased by $1.8 billion largely due to an increase in loans placed on non-purely precautionary early alert, which particularly impacted the Transport, telecom, and utilities sector. This was partly offset by reductions of $0.5 billion in Retail Banking due to repayments and stage changes in mortgages.

The Mortgage portfolio continues to be the largest portion of the Retail Products portfolio, at 53 per cent (2019: 52 per cent). CCPL and other unsecured lending has reduced to 15 per cent of total Retail Products loans and advances (2019: 16 per cent).

Group

Amortised cost	2020 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Energy	9,429	(20)	9,409	1,651	(78)	1,573	932	(702)	230	12,012	(800)	11,212
Manufacturing	9,379	(8)	9,371	1,895	(60)	1,835	1,415	(968)	447	12,689	(1,036)	11,653
Financing, insurance and non-banking	13,339	(5)	13,334	427	(2)	425	258	(209)	49	14,024	(216)	13,808
Transport, telecom and utilities	8,348	(10)	8,338	3,326	(112)	3,214	1,009	(467)	542	12,683	(589)	12,094
Food and household products	6,042	(6)	6,036	646	(24)	622	515	(334)	181	7,203	(364)	6,839
Commercial real estate	6,464	(7)	6,457	1,247	(20)	1,227	366	(172)	194	8,077	(199)	7,878
Mining and quarrying	2,796	(5)	2,791	738	(19)	719	269	(190)	79	3,803	(214)	3,589
Consumer durables	1,725	(2)	1,723	657	(29)	628	465	(378)	87	2,847	(409)	2,438
Construction	1,301	(2)	1,299	806	(29)	777	1,059	(526)	533	3,166	(557)	2,609
Trading companies & distributors	481	(1)	480	157	(7)	150	289	(225)	64	927	(233)	694
Government	20,487	(1)	20,486	883	(2)	881	220	(11)	209	21,590	(14)	21,576
Other	2,542	(3)	2,539	1,314	(48)	1,266	313	(207)	106	4,169	(258)	3,911
Retail Products:												
Mortgage	21,750	(16)	21,734	951	(35)	916	441	(177)	264	23,142	(228)	22,914
CCPL and other unsecured lending	5,549	(198)	5,351	628	(147)	481	255	(179)	76	6,432	(524)	5,908
Auto	531	(1)	530	5	–	5	1	–	1	537	(1)	536
Secured wealth products	12,111	(43)	12,068	249	(6)	243	442	(203)	239	12,802	(252)	12,550
Other	609	(3)	606	26	(1)	25	40	(19)	21	675	(23)	652
Total value (customers)[1]	122,883	(331)	122,552	15,606	(619)	14,987	8,289	(4,967)	3,322	146,778	(5,917)	140,861

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $2,919 million

Amortised cost	2019 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Energy	11,918	(13)	11,905	1,206	(20)	1,186	884	(747)	137	14,008	(780)	13,228
Manufacturing	11,241	(10)	11,231	2,520	(24)	2,496	853	(617)	236	14,614	(651)	13,963
Financing, insurance and non-banking	12,341	(5)	12,336	837	(16)	821	283	(175)	108	13,461	(196)	13,265
Transport, telecom and utilities	10,035	(8)	10,027	1,555	(35)	1,520	807	(570)	237	12,397	(613)	11,784
Food and household products	5,640	(7)	5,633	1,462	(18)	1,444	536	(389)	147	7,638	(414)	7,224
Commercial real estate	6,125	(10)	6,115	1,078	(27)	1,051	251	(89)	162	7,454	(126)	7,328
Mining and quarrying	4,408	(7)	4,401	983	(12)	971	291	(233)	58	5,682	(252)	5,430
Consumer durables	2,786	(3)	2,783	393	(6)	387	535	(386)	149	3,714	(395)	3,319
Construction	2,093	(3)	2,090	233	(7)	226	771	(606)	165	3,097	(616)	2,481
Trading companies & distributors	557	–	557	83	(1)	82	289	(209)	80	929	(210)	719
Government	13,238	(1)	13,237	672	(2)	670	–	–	–	13,910	(3)	13,907
Other	3,210	(7)	3,203	458	(9)	449	261	(219)	42	3,929	(235)	3,694
Retail Products:												
Mortgage	20,770	(7)	20,763	1,651	(11)	1,640	305	(100)	205	22,726	(118)	22,608
CCPL and other unsecured lending	6,334	(147)	6,187	372	(81)	291	235	(124)	111	6,941	(352)	6,589
Auto	570	(1)	569	2	–	2	1	–	1	573	(1)	572
Secured wealth products	11,773	(10)	11,763	296	(2)	294	338	(153)	185	12,407	(165)	12,242
Other	785	–	785	26	(1)	25	33	(15)	18	844	(16)	828
Total value (customers)[1]	123,824	(239)	123,585	13,827	(272)	13,555	6,673	(4,632)	2,041	144,324	(5,143)	139,181

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $1,339 million

Company

Amortised cost	Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
	2020											
Industry:												
Energy	6,827	(13)	6,814	1,202	(52)	1,150	531	(420)	111	8,560	(485)	8,075
Manufacturing	6,285	(5)	6,280	1,406	(49)	1,357	1,157	(765)	392	8,848	(819)	8,029
Financing, insurance and non-banking	10,866	(2)	10,864	349	(2)	347	215	(170)	45	11,430	(174)	11,256
Transport, telecom and utilities	5,780	(6)	5,774	2,662	(103)	2,559	636	(277)	359	9,078	(386)	8,692
Food and household products	3,754	(3)	3,751	277	(8)	269	285	(196)	89	4,316	(207)	4,109
Commercial real estate	4,288	(5)	4,283	838	(11)	827	317	(158)	159	5,443	(174)	5,269
Mining and quarrying	2,039	(4)	2,035	608	(16)	592	159	(142)	17	2,806	(162)	2,644
Consumer durables	1,105	(1)	1,104	474	(17)	457	403	(328)	75	1,982	(346)	1,636
Construction	905	(1)	904	731	(25)	706	949	(457)	492	2,585	(483)	2,102
Trading companies & distributors	230	–	230	72	(1)	71	187	(146)	41	489	(147)	342
Government	5,172	(1)	5,171	806	(1)	805	220	(11)	209	6,198	(13)	6,185
Other	1,619	(2)	1,617	855	(15)	840	231	(174)	57	2,705	(191)	2,514
Retail Products:												
Mortgage	4,871	(8)	4,863	377	(28)	349	296	(131)	165	5,544	(167)	5,377
CCPL and other unsecured lending	2,320	(117)	2,203	172	(57)	115	38	(29)	9	2,530	(203)	2,327
Auto	58	(1)	57	1	–	1	–	–	–	59	(1)	58
Secured wealth products	3,676	(18)	3,658	59	(2)	57	363	(187)	176	4,098	(207)	3,891
Other	457	(1)	456	2	–	2	6	(1)	5	465	(2)	463
Total value (customers)[1]	60,252	(188)	60,064	10,891	(387)	10,504	5,993	(3,592)	2,401	77,136	(4,167)	72,969

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $2,283 million

	2019											
	Stage 1			Stage 2			Stage 3			Total		
Amortised cost	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million
Industry:												
Energy	9,569	(8)	9,561	913	(18)	895	768	(663)	105	11,250	(689)	10,561
Manufacturing	8,018	(9)	8,009	1,942	(16)	1,926	615	(430)	185	10,575	(455)	10,120
Financing, insurance and non-banking	10,082	(4)	10,078	794	(9)	785	261	(159)	102	11,137	(172)	10,965
Transport, telecom and utilities	6,338	(5)	6,333	987	(22)	965	677	(488)	189	8,002	(515)	7,487
Food and household products	3,736	(2)	3,734	369	(9)	360	349	(271)	78	4,454	(282)	4,172
Commercial real estate	3,738	(7)	3,731	762	(12)	750	232	(88)	144	4,732	(107)	4,625
Mining and quarrying	3,514	(4)	3,510	531	(11)	520	153	(122)	31	4,198	(137)	4,061
Consumer durables	2,107	(2)	2,105	252	(4)	248	465	(327)	138	2,824	(333)	2,491
Construction	1,531	(2)	1,529	167	(5)	162	694	(550)	144	2,392	(557)	1,835
Trading companies & distributors	283	–	283	41	–	41	225	(171)	54	549	(171)	378
Government	3,806	(1)	3,805	660	(2)	658	–	–	–	4,466	(3)	4,463
Other	1,958	(4)	1,954	354	(8)	346	227	(195)	32	2,539	(207)	2,332
Retail Products:												
Mortgage	4,832	(5)	4,827	862	(10)	852	196	(68)	128	5,890	(83)	5,807
CCPL and other unsecured lending	2,633	(62)	2,571	177	(21)	156	35	(22)	13	2,845	(105)	2,740
Auto	96	(1)	95	1	–	1	1	–	1	98	(1)	97
Secured wealth products	3,891	(2)	3,889	63	–	63	312	(151)	161	4,266	(153)	4,113
Other	596	(1)	595	3	–	3	1	(1)	–	600	(2)	598
Total value (customers)[1]	66,728	(119)	66,609	8,878	(147)	8,731	5,211	(3,706)	1,505	80,817	(3,972)	76,845

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $1,179 million

Debt securities and other eligible bills (audited)

This section provides further detail on gross debt securities and treasury bills

Group

Amortised cost and FVOCI	2020 Debt securities and other eligible bills $million	2019 Debt securities and other eligible bills $million
12-month expected credit losses (stage 1)	**82,230**	84,609
AAA	**49,721**	54,762
AA- to AA+	**8,324**	6,726
A- to A+	**6,598**	4,939
BBB- to BBB+	**12,072**	9,263
Lower than BBB-	**398**	973
Unrated	**5,117**	7,946
Lifetime expected credit losses (stage 2)	**3,488**	4,607
AAA	**24**	248
AA- to AA+	**–**	41
A- to A+	**50**	–
BBB- to BBB+	**2,693**	3,909
Lower than BBB-	**397**	204
Unrated	**324**	205
Credit-impaired financial assets (stage 3)[1]	**114**	75
Lower than BBB-	**–**	–
Unrated	**114**	75
Gross balance	**85,832**	89,291

1 Stage 3 includes $38 million originated credit-impaired debt securities

Company

Amortised cost and FVOCI	2020 Debt securities and other eligible bills $million	2019 Debt securities and other eligible bills $million
12-month expected credit losses (stage 1)	68,742	70,515
AAA	45,360	47,395
AA- to AA+	8,036	6,175
A- to A+	4,784	3,535
BBB- to BBB+	7,391	6,960
Lower than BBB-	383	973
Unrated	2,788	5,477
Lifetime expected credit losses (stage 2)	2,083	1,117
AAA	24	231
AA- to AA+	–	20
A- to A+	50	–
BBB- to BBB+	1,670	786
Lower than BBB-	225	30
Unrated	114	50
Credit-impaired financial assets (stage 3)[1]	84	43
Lower than BBB-	–	–
Unrated	84	43
Gross balance	70,909	71,675

1 Stage 3 includes $38 million originated credit-impaired debt securities

The standard credit ratings used by the Group are those used by Standard & Poor's or its equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating, as described under the credit rating and measurement section (page 130).

Total debt securities and other eligible bills for the Group decreased by $3.5 billion. The main reason for the decrease is due to Treasury Markets' reallocation of funds from investing in US government issued securities into cash placement at the Federal Reserve to cater for balance sheet volatility and to meet regulatory liquidity requirements. Within stage 1, Treasury Markets have also reduced holdings of high quality liquid assets due to the falling rates for these securities and increased holdings of lower rated securities such as BBB- to BBB+ of $2.8 billion to optimise profitability and to meet liquidity coverage ratio (LCR) requirement.

IFRS 9 methodology (audited)

Approach for determining expected credit losses

Credit loss terminology

Component	Definition
Probability of default (PD)	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2), incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.
Loss given default (LGD)	The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
Exposure at default (EAD)	The expected balance sheet exposure at the time of default, taking into account expected changes over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest, amortisation and prepayments.

To determine the expected credit loss, these components are multiplied together: PD for the reference period (up to 12 months or lifetime) x LGD x EAD and discounted to the balance sheet date using the effective interest rate as the discount rate.

IFRS 9 expected credit loss models have been developed for the Corporate & Institutional Banking and Commercial Banking businesses on a global basis, in line with their respective portfolios. However, for some of the key countries, country-specific models have also been developed.

The calibration of forward-looking information is assessed at a country or region level to take into account local macroeconomic conditions.

Retail Banking expected credit loss models are country and product specific given the local nature of the Retail Banking business.

For less material Retail Banking portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates:

- For medium-sized Retail Banking portfolios, a roll rate model is applied, which uses a matrix that gives the average loan migration rate between delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.
- For smaller Retail Banking portfolios, loss rate models are applied. These use an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.
- While these models do not incorporate forward looking information, to the extent that there are significant changes in the macroeconomic forecasts an assessment will be completed on whether an adjustment to the modelled output is required.

For a limited number of exposures, proxy parameters or approaches are used where the data is not available to calculate the origination PDs for the purpose of applying the SICR criteria; or for some retail portfolios where a full history of LGD data is not available estimates based on the loss experience from similar portfolios are used. The use of proxies is monitored and will reduce over time.

The following processes are in place to assess the ongoing performance of the models:

- Quarterly model monitoring that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds.
- Annual independent validations of the performance of material models by Group Model Valuation (GMV); an abridged validation is completed for non-material models.

Application of lifetime

Expected credit loss is estimated based on the period over which the Group is exposed to credit risk. For the majority of exposures this equates to the maximum contractual period. For Retail Banking credit cards and Corporate & Institutional Banking overdraft facilities however, the Group does not typically enforce the contractual period, which can be as short as one day. As a result, the period over which the Group is exposed to credit risk for these instruments reflects their behavioural life, which incorporates expectations of customer behaviour and the extent to which credit risk management actions curtail the period of that exposure. The average behavioural life for Retail Banking credit cards is between 3 and 6 years across our footprint markets.

In 2020, the behavioural life for Corporate overdraft facilities was re-estimated using recent data, and a lifetime of 24 months is now being applied (2019: 32 months). The change in approach does not have a material impact on the income statement.

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future credit risk losses should depend not just on the health of the economy today but should also take into account potential changes to the economic environment. For example, if a bank were to anticipate a sharp slowdown in the world economy over the coming year, it should hold more provisions today to absorb the credit losses likely to occur in the near future.

To capture the effect of changes to the economic environment, the PDs and LGDs used to calculate ECL incorporate forward-looking information in the form of forecasts of the values of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients.

The 'Base Forecast' of the economic variables and asset prices is based on management's view on the five-year outlook, supported by projections from the Group's in-house research team and outputs from a third-party model that project specific economic variables and asset prices. The research team takes consensus views into consideration and senior management review projections for some core country variables against consensus when forming their view of the outlook. For the period beyond five years, management utilises the in-house research view and third-party model outputs, which allow for a reversion to long-term growth rates or norms. All projections are updated on a quarterly basis.

Forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity

The Base Forecast – management's view of the most likely outcome – is that the prospects for a path out of the COVID-19 crisis have improved with progress with vaccines and virus treatments. Early into the new year this has raised confidence over the economic outlook and is expected to support the recovery of economic activity over the next two years. Global GDP is expected to grow by around 5 per cent in 2021, well above the average of 3.7 per cent for the ten years between 2010 to 2019. However, this follows a contraction of almost 4 per cent in 2020, the worst performance since the Great Depression of 1929-31.

Key to the outlook is the assumption that vaccines will be rolled out early in 2021 in major markets, and reach majority of the population by the third quarter of the year. In addition, renewed virus outbreaks in many countries are expected to be contained. The global economic recovery will strengthen in the second half of 2021 as investment picks up around the world.

With the global recovery underway, many countries are expected to be close to their forward-looking long-term – or future potential – growth levels by the end of the next two years. However, the outlook remains highly uncertain. A faster distribution of vaccines will likely support stronger growth, while delays and disruptions will hold it back. The current (and any future) resurgence of the virus in many countries could also force governments to tighten restrictions on economic activity for longer than anticipated.

While the quarterly base forecasts inform the Group's strategic plan, one key requirement of IFRS 9 is that the assessment of provisions should consider multiple future economic environments. For example, the global economy may grow more quickly or more slowly than the Base Forecast, and these variations would have different implications for the provisions that the Group should hold today. As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, if the Group sets provisions only on the ECL under the Base Forecast it might maintain a level of provisions that does not appropriately capture the range of potential outcomes. To address this property of skewness (or non-linearity), IFRS 9 requires reported ECL to be a probability-weighted ECL calculated over a range of possible outcomes.

To assess the range of possible outcomes, the Group simulates a set of 50 scenarios around the Base Forecast, calculates the ECL under each of them and assigns an equal weight of 2 per cent to each scenario outcome. These scenarios are generated by a Monte Carlo simulation, which addresses the challenges of crafting many realistic alternative scenarios in the many countries in which the group operates by means of a model, which produces these alternative scenarios while considering the degree of historical uncertainty (or volatility) observed over Q1 1990 to Q3 2020 around economic outcomes and how these outcomes have tended to move in relation to one another (or correlation). This naturally means that each of the 50 scenarios do not have a specific narrative, although collectively they explore a range of hypothetical alternative outcomes for the global economy, including scenarios that turn out better than expected and scenarios that amplify anticipated stresses.

The table on page 102 provides a summary of the Group's Base Forecast for key footprint markets, alongside the corresponding range seen across the multiple scenarios. The peak/trough amounts in the table show the highest and lowest points within the Base Forecast, and the GDP graphs illustrate the shape of the Base Forecast in relation to prior periods' actuals and the long-term growth rates.

The global economic recovery in the near term is expected to be uneven. While the US and Europe are likely to recover this year, Asia – particularly China and India – is expected to lead the global economic rebound. China is likely to continue its strong recovery and is expected to grow by 8 per cent in 2021, having already exceeded end-2019 GDP levels in 2020. Among Asian economies, India has faced the sharpest negative shock, with an expected GDP contraction of around 8 per cent in FY21 (year ending in March 2021). The expected pick-up in FY22 is around 10 per cent. Open economies that are reliant on trade such as Singapore will be lifted by the global economic recovery. Its GDP is expected to grow by around 5 per cent after a 6 per cent contraction in 2020. Similarly, Hong Kong's economy is expected to expand by 4 per cent this year from a 6 per cent contraction previously. Korea was one of the first countries to be affected by the pandemic, but the effective strategies employed by the government helped contain the spread of the virus and limited the economic fallout compared to other advanced economies. Korea's GDP is expected to grow by 3.3 per cent in 2021 after contracting by less than 1 per cent in 2020.

Gains in commodity prices are also likely to be uneven. Metal prices such as copper are expected to benefit from the improved outlook for Asia, particularly China. However, global oil demand is not expected to recover all of its 2020 losses this year and this will limit any price gains. Oil prices are expected to average $44 in 2021, showing only a marginal gain from the $41 average in 2020. However there are upside risks to oil prices should the economic recovery be stronger than expected.

2020[5]

	China				Hong Kong				Korea				Singapore				India			
	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]
GDP growth (YoY%)	6.0	19.4/3.2	1.9	20.4	2.8	5.5/2.5	(1.9)	7.3	2.8	5.3/1.4	(1.4)	7.9	2.8	13.7/(2.3)	(5.4)	17.5	6.4	32.6/0.0	(2.1)	34.9
Unemployment (%)	3.4	3.7/3.4	3.3	3.7	3.9	6.3/3.1	2.3	7.2	3.3	3.7/3.0	2.6	4.5	3.5	4.3/3.1	2.0	5.5	N/A[1]	N/A[1]	N/A[1]	N/A[1]
3 month interest rates (%)	2.3	2.4/2.2	0.9	4.5	0.9	1.3/0.7	(0.3)	3.2	1.2	2.3/0.5	(0.1)	3.5	0.7	1.2/0.5	0.0	2.2	4.3	5.4/3.3	2.0	6.9
House prices (YoY%)	5.8	6.2/4.7	1.2	8.7	3.7	7.5/(4.3)	(12.8)	23.0	2.3	3.2/0.4	(2.3)	7.6	4.0	4.3/1.5	(4.4)	16.9	6.7	7.2/4.8	(4.1)	21.8

2019

	China				Hong Kong				Korea				Singapore				India			
	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]
GDP growth (YoY%)	5.8	6.3/5.5	4.4	7.4	1.6	2.5/(4.8)	(2.7)[4]	4.4	2.6	2.9/2.1	0.6	4.8	2.1	2.5/0.9	(1.4)	5.9	6.9	7.2/6.1	5.0	9.0
Unemployment (%)	3.6	3.6/3.6	3.6	3.7	3.5	3.6/3.1	2.7	4.3	3.6	4.0/3.2	3.0	4.2	3.0	3.2/3.0	2.3	3.8	N/A[1]	N/A[1]	N/A[1]	N/A[1]
3 month interest rates (%)	2.6	2.8/2.3	1.8	3.6	2.4	3.5/1.2	0.9	4.3	1.7	2.5/1.2	0.8	2.9	2.0	2.9/1.3	1.1	3.1	5.2	5.6/4.8	4.3	6.1
House prices (YoY%)	6.3	7.6/4.2	4.2	8.3	3.6	5.7/(5.1)	(6.5)	14.6	2.6	2.8/0.7	0.5	4.8	3.4	4.4/0.4	(2.7)	9.7	7.8	8.1/6.9	2.4	13.2

	2020[5]				2019			
	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]
Crude price Brent, $ pb	53.8	60.9/39.0	22	116	71	76/66	42	102

1 N/A – Not available

2 Represents the 10th percentile in the range of economic scenarios used to determine non-linearity

3 Represents the 90th percentile in the range of economic scenarios used to determine non-linearity

4 This value is higher than the trough in the base case forecast because it is measured over the five-year range; if the 10th percentile had been read off the first half of 2020, it would have been -5.7

5 Base forecasts are evaluated from Q1 2021 to Q4 2025. The forward-looking simulation starts from Q1 2021

The final probability-weighted ECL reported by the Group is a simple average of the ECL for each of the 50 scenarios, together with the ECL from the base forecast.

Portfolios that are more sensitive to non-linearity include those with greater leverage and/or a longer tenor, such as Project and Shipping Finance and credit card portfolios. Other portfolios display minimal non-linearity owing to limited responsiveness to macroeconomic impacts for structural reasons such as significant collateralisation as with the Retail Banking mortgage portfolios.

Management overlay – COVID-19

As at 31 December 2020, the Group held a $322 million management overlay relating to uncertainties as a result of the COVID-19 pandemic, $174 million of which relates to Corporate & Institutional Banking and Commercial Banking and $148 million to Retail Banking. The overlay is re-assessed quarterly and is reviewed and approved by IFRS9 impairment committee.

Corporate & Institutional Banking and Commercial Banking

The amount of loans placed on non-purely precautionary early alert increased significantly over 2020 as the impact of COVID-19 was evaluated on the Group's portfolio. However, the impact of the rapid deterioration in the economic environment in 2020 has not yet been fully observed in customers' financial performance. In part this has been due to ongoing government support measures across the Group's markets and we have not yet seen a significant increase in the level of stage 3 loans relating to COVID-19 as at 31 December 2020. To take account of the heightened credit risk and the continuing uncertainties in the pace and timing of economic recovery, a judgemental overlay has been taken by estimating the impact of further deterioration to the non-purely precautionary early alert portfolio. The overlay is held in stage 2.

Retail Banking

A number of components contribute to the judgemental overlay for Retail Banking. Within Business Banking, the Group has evaluated those sectors that have been adversely impacted by COVID-19, both through internal credit processes as well as through a 'Voice of Customer' survey to understand how customers have been affected. The Group has also considered the extent to which lockdowns have impacted collections and recoveries, and the extent to which payment reliefs may mask underlying credit risks, particularly in those markets in ASEAN & South Asia where compulsory moratoria schemes were in place. For those markets, the Group has estimated the impact of increased delinquencies and flows to defaults when the moratoria are lifted as well, as the extent to which customers in stage 1 may have experienced a significant increase in credit risk if not for the moratoria. The Group assessment also considered employee banking relationships with high-impact sectors, such as airlines, and the impact on Mortgages in Africa & the Middle East which generally have high LTVs. $71 million of the overlay is held in stage 1, $71 million in stage 2 and $6 million in stage 3.

Stage 3

Credit-impaired assets managed by Group Special Assets Management incorporate forward-looking economic assumptions in respect of the recovery outcomes identified, and are assigned individual probability weightings. These assumptions are not based on a Monte Carlo simulation but are informed by the Base Forecast.

Sensitivity of expected credit loss calculation to macroeconomic variables

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the ECL to changes in the macroeconomic variables. The Group has conducted a series of analyses with the aim of identifying the macroeconomic variables which might have the greatest impact on overall ECL. These encompassed single variable and multi-variable exercises, using simple up/down variation and extracts from actual calculation data, as well as bespoke scenario design and assessments.

The primary conclusion of these exercises is that no individual macroeconomic variable is materially influential. The Group believes this is plausible as the number of variables used in the ECL calculation is large. This does not mean that macroeconomic variables are uninfluential; rather, that the Group believes that consideration of macroeconomics should involve whole scenarios, as this aligns with the multi-variable nature of the calculation.

The Group faces downside risks in the operating environment related to the uncertainties surrounding the effect of COVID-19 on the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered, with both assuming a second wave of COVID early in 2021 across all SCB markets. The shock is assumed to be 50 per cent as severe as the first wave as governments have learnt lessons on how to tackle the spread of the virus from last years' experience. In the moderate scenario a reasonable recovery takes hold in the second half of this year. In the severe scenario measures to contain spread of COVID and stimulate activity prove insufficient and the economies are stuck in a prolonged slowdown with a recovery not materialising until 2022.

	Baseline		Moderate scenario		Severe scenario	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	6.0	19.4/3.2	5.3	13.0/(1.3)	4.7	13.0/(4.0)
China unemployment	3.4	3.7/3.4	3.7	5.1/3.4	4.2	5.8/3.4
China property prices	5.8	6.2/4.7	5.0	6.0/(0.9)	4.2	6.2/(4.2)
Hong Kong GDP	2.8	5.5/2.5	2.1	3.4/(0.8)	1.7	2.5/(2.8)
Hong Kong unemployment	3.9	6.3/3.1	5.2	7.5/3.1	5.8	8.1/3.1
Hong Kong property prices	3.7	7.5/(4.3)	2.2	5.6/(6.6)	(0.6)	4.8/(13.2)
US GDP	2.1	8.1/(4.7)	0.8	6.2/(9.2)	(0.3)	2.5/(11.5)
Singapore GDP	2.8	13.7/(2.3)	2.3	10.0/(3.1)	0.7	4.3/(7.0)
India GDP	6.4	32.6/0.0	5.2	17.0/(0.6)	3.8	17.0/(11.8)
World GDP	3.8	9.1/3.3	2.9	7.7/(2.1)	1.7	3.7/(6.5)
Crude Oil	53.8	60.9/39.0	48.6	60.9/19.3	44.4	60.9/19.3

The modelled ECL provisions would be approximately $180 million higher under the moderate scenario and $1.0 billion higher under the severe scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). The proportion of stage 2 assets would increase from 7 per cent to 17 per cent under the severe downside scenario. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults. There was no material change in modelled stage 3 provisions as these primarily relate to unsecured Retail Banking exposures for which the LGD is not sensitive to changes in the macroeconomic forecasts. Under the severe scenario the majority of the increase was in Corporate & Institutional Banking and Commercial Banking with the main corporate portfolios in UK and Singapore impacted. Around 10 per cent of the increase was in Retail Banking, with the main portfolios impacted being the Group's credit card portfolio Singapore and Malaysia. Note that these scenarios are not incorporated into the Group's determination of ECL provisions and the actual outcome of any scenario may be materially different due to, amongst other factors, the effect of management actions to mitigate potential increases in risk and changes in the underlying portfolio.

Modelled provisions

	Moderate downside increase $m	Severe downside increase $m
Corporate & Institutional Banking	55	667
Retail Banking	47	103
Commercial Banking	36	209
Private Banking	1	1
Central & other items	41	42
Total	180	1,022

Proportion of assets in stage 2[1]

	Base Forecast scenario %	Moderate downside scenario %	Severe downside scenario %
Corporate & Institutional Banking	10.3	10.8	25.5
Retail Banking	5.1	5.7	6.5
Commercial Banking	21.0	28.2	50.6
Private Banking	11.3	11.3	11.3
Central & other items	1.0	1.5	4.5
Total	7.1	8.0	17.1

1 Excludes cash and balances at central banks, accrued income, assets held for sale and other assets

Significant increase in Credit risk (SICR) (audited)

Quantitative criteria

SICR is assessed by comparing the risk of default at the reporting date to the risk of default at origination. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria. These quantitative significant deterioration thresholds have been separately defined for each business and where meaningful are consistently applied across business lines.

Assets are considered to have experienced SICR if they have breached both relative and absolute thresholds for the change in the average annualised lifetime probability of default over the residual term of the exposure.

The absolute measure of increase in credit risk is used to capture instances where the PDs on exposures are relatively low at initial recognition as these may increase by several multiples without representing a significant increase in credit risk. Where PDs are relatively high at initial recognition, a relative measure is more appropriate in assessing whether there is a significant increase in credit risk, as the PDs increase more quickly.

The SICR thresholds have been calibrated based on the following principles:

- Stability – The thresholds are set to achieve a stable stage 2 population at a portfolio level, trying to minimise the number of accounts moving back and forth between stage 1 and stage 2 in a short period of time
- Accuracy – The thresholds are set such that there is a materially higher propensity for stage 2 exposures to eventually default than is the case for stage 1 exposures
- Dependency from backstops – The thresholds are stringent enough such that a high proportion of accounts transfer to stage 2 due to movements in forward-looking PD rather than relying on backward-looking backstops such as arrears
- Relationship with business and product risk profiles – The thresholds reflect the relative risk differences between different products, and are aligned to business processes

For Corporate & Institutional Banking and Commercial Banking clients, the relative threshold is a 100 per cent increase in PD and the absolute change in PD is between 50 and 100 bps.

For Retail Banking clients, the relative threshold is a 100 per cent increase in PD and the absolute change in PD is between 100 and 350 bps depending on the product. Certain counties have a higher absolute threshold reflecting the lower default rate within their personal loan portfolios compared with the Group's other personal loan portfolios.

Private Banking clients are assessed qualitatively, based on a delinquency measure relating to collateral top-ups or sell-downs.

Debt securities originated before 1 January 2018 with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities to stage 2. Debt securities originated after 1 January 2018 apply the same approach and thresholds as for Corporate & Institutional Banking and Commercial Banking clients.

Qualitative criteria

Qualitative factors that indicate that there has been a significant increase in Credit risk include processes linked to current risk management, such as placing loans on non-purely precautionary Early Alert.

Backstop

Across all portfolios, accounts that are 30 or more days past due (DPD) on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a significant increase in credit risk.

Expert credit judgement may be applied in assessing significant increase in credit risk to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events and material uncertainties arising close to the reporting date.

Corporate & Institutional Banking and Commercial Banking clients

Quantitative criteria

Exposures are assessed based on both the absolute and the relative movement in the PD from origination to the reporting date as described above.

To account for the fact that the mapping between internal credit grades (used in the origination process) and PDs is non-linear (e.g. a one-notch downgrade in the investment grade universe results in a much smaller PD increase than in the sub-investment grade universe), the absolute thresholds have been differentiated by credit quality at origination, as measured by internal credit grades being investment grade or sub-investment grade.

Qualitative criteria

All assets of clients that have been placed on Early Alert (for non-purely precautionary reasons) are deemed to have experienced a significant increase in credit risk.

An account is placed on non-purely precautionary Early Alert if it exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances, among other factors.

All client assets that have been assigned a CG12 rating, equivalent to 'Higher risk', are deemed to have experienced a significant increase in credit risk. Accounts rated CG12 are managed by the GSAM unit. All Corporate & Institutional Banking and Commercial Banking clients are placed on CG12 when they are 30 DPD unless they are granted a waiver through a strict governance process.

Retail Banking clients

Quantitative criteria

Material portfolios (defined as a combination of country and product) for which a statistical model has been built, are assessed based on both the absolute and relative movement in the PD from origination to the reporting date as described previously (page 104). For these portfolios, the original lifetime PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative criteria

Accounts that are 30 DPD that have not been captured by the quantitative criteria are considered to have experienced a significant increase in credit risk. For less material portfolios, which are modelled based on a roll-rate or loss-rate approach, SICR is primarily assessed through the 30 DPD trigger.

Private Banking clients

For Private Banking clients, SICR is assessed by referencing the nature and the level of collateral against which credit is extended (known as 'Classes of Risk').

Qualitative criteria

For all Private Banking classes, in line with risk management practice, an increase in credit risk is deemed to have occurred where margining or loan-to-value covenants have been breached.

For Class I assets (lending against diversified liquid collateral), if these margining requirements have not been met within 30 days of a trigger, a significant increase in credit risk is assumed to have occurred.

For Class I and Class III assets (real-estate lending), a significant increase in credit risk is assumed to have occurred where the bank is unable to 'sell down' the applicable assets to meet revised collateral requirements within five days of a trigger.

Class II assets are typically unsecured or partially secured, or secured against illiquid collateral such as shares in private companies. Significant credit deterioration of these assets is deemed to have occurred when any Early Alert trigger has been breached.

Debt Securities

Quantitative criteria
For debt securities originated before 1 January 2018, the bank is utilising the low credit risk simplified approach, where debt securities with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities are allocated to stage 2. Debt securities originated after 1 January 2018 are assessed based on the absolute and relative movements in PD from origination to the reporting date.

Qualitative criteria
Debt securities utilise the same qualitative criteria as the Corporate & Institutional Banking and Commercial Banking client segments, including being placed on Early Alert or being classified as CG12.

Assessment of credit-impaired financial assets

Retail Banking clients
The core components in determining credit-impaired expected credit loss provisions are the value of gross charge off and recoveries. Gross charge off and/or loss provisions are recognised when it is established that the account is unlikely to pay through the normal process. Recovery of unsecured debt post credit impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Release of credit impairment provisions for secured loans is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision).

Corporate & Institutional Banking, Commercial Banking and Private Banking clients
Credit-impaired accounts are managed by the Group's specialist recovery unit, Group Special Assets Management (GSAM), which is independent from its main businesses. Where any amount is considered irrecoverable, a stage 3 credit impairment provision is raised. This stage 3 provision is the difference between the loan-carrying amount and the probability-weighted present value of estimated future cash flows, reflecting a range of scenarios (typically the best, worst and most likely recovery outcomes). Where the cash flows include realisable collateral, the values used will incorporate the impact of forward-looking economic information.

The individual circumstances of each client are considered when GSAM estimates future cash flows and the timing of future recoveries which involves significant judgement. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees are considered. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Write-offs
Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

Governance and application of expert credit judgement in respect of expected credit losses

The Group applies PLC Group's Credit Policy and Standards framework which details the requirements for continuous monitoring to identify any changes in credit quality and resultant ratings, as well as ensuring a consistent approach to monitoring, managing and mitigating credit risks. The framework aligns with the governance of ECL estimation through the early recognition of significant deteriorations in ratings which drive stage 2 and 3 ECL.

The Group relies on the PLC Group committees for the assessment of ECL. The models used in determining expected credit losses are reviewed and approved by the PLC Group Credit Model Assessment Committee (CMAC) which is appointed by the PLC Group Model Risk Committee. CMAC has the responsibility to assess and approve the use of models and to review all IFRS 9 interpretations related to models. CMAC also provides oversight on operational matters related to model development, performance monitoring and model validation activities including standards, regulatory and Group Internal Audit matters.

Prior to submission to CMAC for approval, the models are validated by Group Model Validation (GMV), a function which is independent of the business and the model developers. GMV's analysis comprises review of model documentation, model design and methodology, data validation, review of the model development and calibration process, out-of-sample performance testing, and assessment of compliance review against IFRS 9 rules and internal standards.

A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds an assessment of whether a PMA is required to correct for the identified model issue is completed.

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by the IFRS 9 Impairment Committee (IIC) which is appointed by the PLC Group Risk Committee. The IIC consists of senior representatives from Risk, Finance, and Group Economic Research. It meets at least twice every quarter, once before the models are run to approve key inputs into the calculation, and once after the models are run to approve the expected credit loss provisions and any judgemental overrides that may be necessary.

The IFRS 9 Impairment Committee:

- Oversees the appropriateness of all Business Model Assessment and Solely Payments of Principal and Interest (SPPI) tests;
- Reviews and approves expected credit loss for financial assets classified as stages 1, 2 and 3 for each financial reporting period;
- Reviews and approves stage allocation rules and thresholds;
- Approves material adjustments in relation to expected credit loss for fair value through other comprehensive income (FVOCI) and amortised cost financial assets;
- Reviews, challenges and approves base macroeconomic forecasts and the multiple macroeconomic scenarios approach that are utilised in the forward-looking expected credit loss calculations

The IFRS 9 Impairment Committee is supported by an Expert Panel which also reviews and challenges the base case projections and multiple macroeconomic scenarios. The Expert Panel consists of members of Enterprise Risk Management (which includes the Scenario Design team), Finance, Group Economic Research and country representatives of major jurisdictions.

PMAs may be applied to account for identified weaknesses in model estimates. The processes for identifying the need for, calculating the level of, and approving PMAs are prescribed in the Credit Risk IFRS9 ECL Model Family Standards which are approved by the Global Head, Model Risk Management. PMA calculation methodologies are reviewed by GMV and submitted to CMAC as the model approver or the IIC. All PMAs have a remediation plan to fix the identified model weakness, and these plans are reported to and tracked at CMAC.

In addition, Risk Event Overlays account for events that are sudden and therefore not captured in the Base Case Forecast or the resulting ECL calculated by the models. All Risk Event Overlays must be approved by the IIC having considered the nature of the event, why the risk is not captured in the model, and the basis on which the quantum of the overlay has been calculated. Risk Event Overlays are subject to quarterly review and re-approval by the IIC.

Traded risk

Traded Risk is the potential for loss resulting from activities undertaken by the Group in financial markets. The PLC Group's Traded Risk Type Framework, which is adopted by the Company through an addendum, brings together Market Risk, Counterparty Credit Risk, Issuer Risk, XVA, Algorithmic Trading and Pension Risk. Traded Risk Management is the core risk management function supporting market-facing businesses, predominantly Financial Markets and Treasury Markets.

Market Risk (audited)

Market Risk is the potential for loss of economic value due to adverse changes in financial market rates or prices. The Group's exposure to Market Risk arises predominantly from the following sources:

- Trading book: The Group provides clients access to financial markets, facilitation of which entails the Group taking moderate Market Risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from Market Risk-related activities is primarily driven by the volume of client activity rather than risk-taking.
- Non-trading book:
  - The Treasury Markets desk is required to hold a liquid assets buffer, much of which is held in high-quality marketable debt securities
  - The Group has capital invested and related income streams denominated in currencies other than US dollars. To the extent that these are not hedged, the Group is subject to Structural Foreign Exchange Risk which is reflected in reserves

A summary of our current policies and practices regarding Market Risk management is provided in the Principal risks section (page 132).

The primary categories of Market Risk for the Group are:

- Interest Rate Risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options
- Foreign Exchange Rate Risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity Risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture as well as commodity baskets
- Equity Risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Market risk changes (audited)

The average level of total trading and non-trading VaR in 2020 was $77.3 million, 222 per cent higher than in 2019 ($24.0 million). The actual level of total trading and non-trading VaR as at the end of 2020 was $105.9 million, 294 per cent higher than in 2019 ($26.9 million). The increase in total average VaR was driven by the extreme market volatility in interest rates and credit spreads following the outbreak of COVID-19 and the collapse in oil prices, with the largest increase observed in the non-trading book from high-quality marketable securities held in the Treasury Markets liquid assets buffer. The credit bonds that are included in the buffer are almost exclusively of investment grade. The historical scenarios driving the total VaR are all from March 2020, hence VaR is expected to remain elevated until at least March 2021.

For the trading book, the average level of VaR in 2020 was $15.9 million, 62 per cent higher than in 2019 ($9.8 million). Trading activities have remained relatively unchanged and client-driven.

Daily value at risk (VaR at 97.5%, one day) (audited)

	2020				2019			
Trading and non-trading	**Average $million**	**High[1] $million**	**Low[1] $million**	**Actual[2] $million**	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Interest Rate Risk[3]	**71.9**	**114.5**	**22.2**	**83.6**	23.2	28.4	18.4	27.1
Foreign Exchange Risk	**5.7**	**13.9**	**3.0**	**13.9**	3.8	7.9	2.1	4.9
Commodity Risk	**2.4**	**5.2**	**0.8**	**5.2**	1.4	2.2	0.9	1.2
Equity Risk	**2.6**	**5.4**	**1.5**	**1.5**	3.7	4.6	2.7	2.9
Total[4]	**77.3**	**109.0**	**21.5**	**105.9**	24.0	28.7	20.2	26.9

Trading[5]	2020 Average $million	2020 High[1] $million	2020 Low[1] $million	2020 Actual[2] $million	2019 Average $million	2019 High[1] $million	2019 Low[1] $million	2019 Actual[2] $million
Interest Rate Risk[3]	10.0	15.4	5.4	9.5	6.6	8.7	5.3	6.3
Foreign Exchange Risk	5.7	13.9	3.0	13.9	3.8	7.9	2.1	4.9
Commodity Risk	2.4	5.2	0.8	5.2	1.4	2.2	0.9	1.2
Equity Risk	–	–	–	–	–	–	–	–
Total[4]	15.9	26.3	7.7	26.3	9.8	12.3	7.8	9.4

Non-trading	2020 Average $million	2020 High[1] $million	2020 Low[1] $million	2020 Actual[2] $million	2019 Average $million	2019 High[1] $million	2019 Low[1] $million	2019 Actual[2] $million
Interest Rate Risk[3]	61.8	90.3	21.9	72.3	21.0	26.6	17.3	24.0
Equity Risk[6]	2.6	5.4	1.4	1.5	3.7	4.6	2.7	2.9
Total[3]	63.9	92.4	22.4	73.4	21.7	26.7	18.8	24.8

1 Highest and lowest VaR for each risk factor are independent and usually occur on different days

2 Actual one-day VaR at year-end date

3 Interest Rate Risk VaR includes Credit Spread Risk arising from securities accounted for as fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI)

4 The total VaR shown in the tables above is not equal to the sum of the component risks due to offsets between them

5 Trading book for Market Risk is defined in accordance with the EU Capital Requirements Regulation (CRD/CRR) Part 3 Title I Chapter 3, which restricts the positions permitted in the trading book

6 Non-trading Equity Risk VaR includes only listed equities

The following table sets out how trading and non-trading VaR is distributed across the Group's products:

	2020 Average $million	2020 High[1] $million	2020 Low[1] $million	2020 Actual[2] $million	2019 Average $million	2019 High[1] $million	2019 Low[1] $million	2019 Actual[2] $million
Trading and non-trading	77.3	109.0	21.5	105.9	24.0	28.7	20.2	26.9
Trading[4]								
Rates	6.7	10.4	3.7	6.6	7.0	8.5	5.2	5.8
Global Foreign Exchange	5.7	13.9	3.0	13.9	3.8	7.9	2.1	4.9
Credit Trading & Capital Markets	7.6	14.3	3.1	8.3	3.9	6.7	3.1	4.4
Commodities	2.4	5.2	0.8	5.2	1.4	2.2	0.9	1.2
Equities	0.0	0.0	0.0	0.0	3.7	4.6	2.7	2.9
XVA[3]	8.1	12.7	3.1	8.7	4.1	5.4	3.3	3.3
Total[3]	15.9	26.3	7.7	26.3	9.8	12.3	7.8	9.4
Non-trading								
Treasury Markets	38.8	59.1	19.1	41.3	21.0	26.6	17.3	24.0
Listed private equity	16.0	26.9	5.7	21.2	3.7	4.6	2.7	2.9
Total[3]	63.9	92.4	22.4	73.4	21.7	26.7	18.8	24.8

1 Highest and lowest VaR for each risk factor are independent and usually occur on different days

2 Actual one-day VaR at year end date

3 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them

4 Trading book for Market Risk is defined in accordance with the EU Capital Requirements Regulation (CRD/CRR) Part 3 Title I Chapter 3, which restricts the positions permitted in the trading book

Average daily income earned from Market Risk-related activities[1]

Trading	2020 $million	2019 $million
Interest Rate Risk	**2.7**	3.3
Foreign Exchange Risk	**3.8**	4.1
Commodity Risk	**0.6**	0.6
Equity Risk	**–**	–
Total	**7.1**	8.0

Non-trading	$million	$million
Interest Rate Risk	**1.7**	1.7
Equity Risk	**–**	0.3
Total	**1.7**	2.0

1 Reflects total product income which is the sum of client income and own account income. Includes elements of trading income, interest income and other income which are generated from Market Risk-related activities. XVA income is included under Interest Rate Risk

Structural foreign exchange exposures

The table below sets out the principal structural foreign exchange exposures (net of investment hedges) of the Group.

	2020 $million	2019 $million
Hong Kong dollar	**15**	171
Indian rupee	**4,223**	3,930
Renminbi	**35**	29
Singapore dollar	**2,543**	2,531
Korean won	**–**	–
Taiwanese dollar	**50**	44
UAE dirham	**1,863**	1,994
Malaysian ringgit	**1,575**	1,557
Thai baht	**892**	929
Indonesian rupiah	**332**	1,139
Pakistani rupee	**466**	441
Other	**4,422**	4,558
	16,416	17,323

As at 31 December 2020, the Group had taken net investment hedges using derivative financial instruments of $652 million (31 December 2019: $691 million) to partly cover its exposure to Indian rupee. An analysis has been performed on these exposures to assess the impact of a 1 per cent fall in the US dollar exchange rates, adjusted to incorporate the impacts of correlations of these currencies to the US dollar. The impact on the positions above would be an increase of $147 million (31 December 2020: $147 million). Changes in the valuation of these positions are taken to reserves.

For analysis of the Group's capital position and requirements, refer to the Capital Review (page 152).

Counterparty Credit Risk

Counterparty Credit Risk is the potential for loss in the event of the default of a derivative counterparty, after taking into account the value of eligible collaterals and risk mitigation techniques. The Group's counterparty credit exposures are included in the Credit Risk section.

Derivative financial instruments Credit Risk mitigation

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. The value of exposure under master netting agreements is $52,308 million (2019: $31,106 million).

In addition, the Group enters into credit support annexes (CSAs) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure. Cash collateral includes collateral called under a variation margin process from counterparties if total uncollateralised mark-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. With certain counterparties, the CSA is reciprocal and requires us to post collateral if the overall mark-to-market values of positions are in the counterparty's favour and exceed an agreed threshold.

Liquidity and Funding risk

Liquidity and Funding Risk is the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due.

The Group follows the PLC Group's Liquidity and Funding Risk framework, which requires each country to ensure that it operates within predefined liquidity limits and remains in compliance with PLC's Group liquidity policies and practices, as well as local regulatory requirements. Liquidity metrics are monitored regularly on a country basis across the Group.

The table below shows the composition of liabilities in which customer deposits make up 52 per cent of total liabilities and equity as at 31 December 2020, the majority of which are current accounts, savings accounts and time deposits. Our largest customer deposits base by geography is Europe & Americas which holds 48 per cent of Group customer accounts

Composition of liabilities and equity	Percentage
Equity	6.5%
Subordinated liabilities and other borrowed funds	2.9%
Debt securities in issue	6.6%
Derivative financial instruments	13.4%
Customer accounts	51.6%
Deposit by banks	5.8%
Other liabilities	13.2%
Total	**100.0%**

Geographic distribution of customer accounts	Percentage
Greater China & North Asia	1.4%
ASEAN & South Asia	38.5%
Africa & Middle East	12.1%
Europe & Americas	48.0%
Total	**100.0%**

Liquidity coverage ratio (LCR)

The Liquidity Coverage Ratio (LCR) aims to ensure that a bank has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. SC Bank is not regulated for LCR, however, the bank and material subsidiaries in the consolidation have standalone LCR ratios above 100 per cent at 31 December 2020, calculated under European Commission Delegated Regulation 2015/6.

Stressed coverage

Stress testing and scenario analysis are used to assess the financial and management capability to continue to operate effectively under extreme, but plausible, operating conditions and to understand the potential threats to the PLC Group's liquidity and other financial resources.

The PLC Group's internal liquidity stress testing framework covers the following stress scenarios:

Standard Chartered-specific – this scenario captures the liquidity impact from an idiosyncratic event affecting Standard Chartered only i.e. the rest of the market is assumed to operate normally.

Market wide – this scenario captures the liquidity impact from a market wide crisis affecting all participants in a country, region or globally.

Combined – this scenario assumes both Standard Chartered-specific and Market-wide events affecting the PLC Group simultaneously and hence is the most severe scenario.

All scenarios include, but are not limited to, modelled outflows for retail and wholesale funding, Off-Balance Sheet Funding Risk, Cross Currency Funding Risk, Intraday Risk, Franchise Risk and risks associated with a deterioration of a firm's credit rating.

As of 31 December 2020, all entities within the Group follow a consistent approach and met their individual stress test requirements within Risk appetite, and as a result, ensure Group has surplus liquidity when combined.

External wholesale borrowing

This metric seeks to prevent excessive reliance on wholesale borrowing. Limits/targets are applied to branches and operating subsidiaries in the Group.

Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer accounts. An advances-to-deposits ratio of below 100 per cent demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers. Limits/targets are applied to all branches and operating subsidiaries in the Group.

Advances-to-deposits ratio has declined by 4.8 per cent as strong customer deposits growth outpaced customer loans growth.

- Strong customer deposit growth driven by combined growth of TB CASA and Retail deposits. Quality of customer deposits have improved with an increase in operating account balances within Cash Management, improved CASA to Time deposit ratio, offset by a run-off in Corporate Term Deposits

Decline in trade activities and slow corporate lending momentum led to negative growth in customer loans

	2020 $million	2019 $million
Total loans and advances to customers[1,2]	126,859	132,205
Total customer accounts[3]	223,472	214,482
Advances-to-deposits ratio	56.8%	61.6%

1 Excludes reverse repurchase agreement and other similar secured lending of $2,919 million and includes loans and advances to customers held at fair value through profit and loss of $3,213 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $14,296 million of approved balances held with central banks, confirmed as repayable at the point of stress.

3 Includes customer accounts held at fair value through profit or loss of $6,753 million (31 December 2019: $4,221 million)

Net stable funding ratio (NSFR)

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to the characteristics of their assets and off-balance sheet activities over a one-year horizon. It is the ratio between the amount of available stable funding (ASF) and the amount of required stable funding (RSF). ASF factors are applied to balance sheet liabilities and capital, based on their perceived stability and the amount of stable funding they provide. Likewise, RSF factors are applied to assets and off-balance sheet exposures according to the amount of stable funding they require. At the last reporting date, the NSFR for the Group's material entities remained above 100 per cent.

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $125 billion. The figures in the below table account for haircuts, currency convertibility and portability constraints, and therefore are not directly comparable with the consolidated balance sheet. The pool is held to offset stress outflows as defined in European Commission Delegated Regulation 2015/61.

Group

	2020				
	Greater China & North East Asia $ million	ASEAN & South Asia $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities					
Cash and balances at central banks	5,256	16,622	1,421	42,502	65,801
Central banks, governments /public sector entities	1,193	8,434	1,569	33,652	44,848
Multilateral development banks and international organisations	–	453	236	6,818	7,507
Other	–	–	14	1,645	1,659
Total Level 1 securities	6,449	25,509	3,240	84,617	119,815
Level 2A securities	–	1,878	79	2,891	4,848
Level 2B securities	–	207	–	287	494
Total LCR eligible assets	6,449	27,594	3,319	87,795	125,157

	2019				
	Greater China & North East Asia $ million	ASEAN & South Asia $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities					
Cash and balances at central banks	9,093	11,535	1,265	24,326	46,219
Central Banks, governments /public sector entities	669	7,952	2,201	39,136	49,958
Multilateral development banks and international organisations	–	1,183	160	7,448	8,791
Other	–	–	14	1,104	1,118
Total Level 1 securities	9,762	20,670	3,640	72,014	106,086
Level 2A securities	–	1,928	63	3,217	5,208
Level 2B securities	–	343	–	2,112	2,455
Total LCR eligible assets	9,762	22,941	3,703	77,343	113,749

Company

	2020				
	Greater China & North East Asia $ million	**ASEAN & South Asia $ million**	**Africa & Middle East $ million**	**Europe & Americas $ million**	**Total $ million**
Level 1 securities					
Cash and balances at central banks	**5,256**	**910**	**1,065**	**37,501**	**44,732**
Central banks, governments /public sector entities	**1,193**	**4,217**	**1,493**	**33,651**	**40,554**
Multilateral development banks and international organisations	**–**	**–**	**236**	**6,818**	**7,054**
Other	**–**	**–**	**14**	**1,645**	**1,659**
Total Level 1 securities	**6,449**	**5,127**	**2,808**	**79,615**	**93,999**
Level 2A securities	**–**	**454**	**79**	**2,891**	**3,424**
Level 2B securities	**–**	**–**	**–**	**286**	**286**
Total LCR eligible assets	**6,449**	**5,581**	**2,887**	**82,792**	**97,709**

	2019				
	Greater China & North East Asia $ million	ASEAN & South Asia $ million	Africa & Middle East $ million	Europe & Americas $ million	Total $ million
Level 1 securities					
Cash and balances at central banks	9,093	637	1,033	20,699	31,462
Central Banks, governments /public sector entities	669	4,095	1,895	39,136	45,795
Multilateral development banks and international organisations	–	–	160	7,449	7,609
Other	–	–	14	1,104	1,118
Total Level 1 securities	9,762	4,732	3,102	68,388	85,984
Level 2A securities	–	709	63	3,217	3,989
Level 2B securities	–	23	–	2,111	2,134
Total LCR eligible assets	9,762	5,464	3,165	73,716	92,107

Liquidity analysis of the Group's balance sheet (audited)

Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date on a discounted basis. Contractual maturities do not necessarily reflect actual repayments or cashflows.

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are fair value through other comprehensive income are used by the Group principally for liquidity management purposes.

As at the reporting date, assets remain predominantly short-dated, with 68 per cent maturing in under one year. Our less than three-month cumulative net funding gap increased from the previous year, largely due to an increase in customer accounts as the Group focused on improving the quality of its deposit base. In practice, these deposits are recognised as stable and have behavioural profiles that extend beyond their contractual maturities.

Group

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	55,434	–	–	–	–	–	–	2,683	58,117
Derivative financial instruments	12,478	20,593	7,948	4,907	3,423	5,091	8,571	6,214	69,225
Loans and advances to banks[1,2]	19,881	13,572	6,956	3,612	2,058	1,083	1,203	277	48,642
Loans and advances to customers[1,2]	61,175	34,171	17,375	5,150	5,714	10,570	21,731	32,790	188,676
Investment securities	4,357	9,466	5,507	7,240	6,181	14,630	28,803	26,066	102,250
Other assets	16,318	16,371	1,039	187	53	40	37	7,026	41,071
Due from subsidiary undertakings and other related parties	5,612	–	–	–	–	–	–	–	5,612
Total assets	175,255	94,173	38,825	21,096	17,429	31,414	60,345	75,056	513,593
Liabilities									
Deposits by banks[1,3]	26,015	989	2,249	137	201	21	1	42	29,655
Customer accounts[1,4]	200,223	39,776	11,319	3,868	4,496	4,599	608	138	265,027
Derivative financial instruments	13,575	19,765	8,338	4,773	3,580	5,351	10,066	3,620	69,068
Senior debt	214	1,742	299	79	168	327	1,149	2,085	6,063
Other debt securities in issue[1]	1,207	6,751	9,842	2,697	2,422	3,197	1,208	329	27,653
Due to parent companies and other related undertakings	32,326	–	–	–	–	–	–	–	32,326
Other liabilities	12,008	16,693	2,272	288	109	483	214	3,707	35,774
Subordinated liabilities and other borrowed funds	–	–	–	–	–	960	2,037	11,882	14,879
Total liabilities	285,568	85,716	34,319	11,842	10,976	14,938	15,283	21,803	480,445
Net liquidity gap	(110,313)	8,457	4,506	9,254	6,453	16,476	45,062	53,253	33,148

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments (pages 195 to 234)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $66.5 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $5.8 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $41.5 billion

	2019								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	38,980	–	–	–	–	–	–	4,946	43,926
Derivative financial instruments	11,286	4,995	3,383	2,278	1,666	3,659	8,949	12,667	48,883
Loans and advances to banks[1,2]	24,514	15,284	8,235	4,061	3,112	1,683	1,286	432	58,607
Loans and advances to customers[1,2]	65,706	25,238	13,880	5,368	6,120	9,976	24,716	30,810	181,814
Investment securities	4,284	5,636	8,831	4,997	3,360	23,421	30,681	24,931	106,141
Other assets	12,888	15,439	1,191	104	45	246	104	5,893	35,910
Due from subsidiary undertakings and other related parties	11,137	–	–	–	–	–	–	–	11,137
Total assets	168,795	66,592	35,520	16,808	14,303	38,985	65,736	79,679	486,418
Liabilities									
Deposits by banks[1,3]	27,525	2,906	929	93	318	49	18	–	31,838
Customer accounts[1,4]	194,027	32,446	14,048	5,815	4,090	1,601	775	315	253,117
Derivative financial instruments	10,841	5,089	3,626	2,531	1,848	4,674	9,554	10,824	48,987
Senior debt	325	1,336	756	289	214	240	1,151	3,109	7,420
Other debt securities in issue[1]	5,024	11,332	8,965	860	1,448	280	1,720	465	30,094
Due to parent companies and other related undertakings	35,354	–	–	–	–	–	–	–	35,354
Other liabilities	9,245	14,689	2,306	229	151	1,767	621	2,530	31,538
Subordinated liabilities and other borrowed funds	–	–	–	–	–	–	3,520	9,509	13,029
Total liabilities	282,341	67,798	30,630	9,817	8,069	8,611	17,359	26,752	451,377
Net liquidity gap	(113,546)	(1,206)	4,890	6,991	6,234	30,374	48,377	52,927	35,041

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments (pages 195 to 234)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $59.4 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $ 7.4 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $38.6 billion

Company

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	45,544	–	–	–	–	–	–	932	46,476
Derivative financial instruments	13,786	13,945	9,372	5,515	3,714	5,598	9,984	6,996	68,910
Loans and advances to banks[1,2]	14,263	11,239	4,379	2,081	1,388	979	1,045	277	35,651
Loans and advances to customers[1,2]	42,805	20,654	14,471	3,804	3,058	7,226	14,931	12,980	119,929
Investment securities	1,800	7,423	4,288	6,120	5,545	11,055	23,321	24,562	84,114
Investment in subsidiary undertaking	–	–	–	–	–	–	–	8,258	8,258
Other assets	15,980	12,908	430	178	58	35	27	4,084	33,700
Due from subsidiary undertakings and other related parties	10,885	–	–	–	–	–	–	–	10,885
Total assets	145,063	66,169	32,940	17,698	13,763	24,893	49,308	58,089	407,923
Liabilities									
Deposits by banks[1,3]	20,934	741	2,205	122	182	20	–	40	24,244
Customer accounts[1,4]	120,212	34,388	8,497	2,689	2,594	1,237	514	124	170,255
Derivative financial instruments	14,382	13,118	9,576	5,478	3,843	5,684	11,498	4,844	68,423
Senior debt	30	1,055	198	79	168	322	1,023	2,013	4,888
Other debt securities in issue[1]	1,207	6,751	9,842	2,697	2,412	1,747	1,208	1,112	26,976
Due to parent companies and other related undertakings	43,012	–	–	–	–	–	–	–	43,012
Other liabilities	11,496	11,962	713	238	80	364	178	2,295	27,326
Subordinated liabilities and other borrowed funds	–	–	–	–	–	960	2,037	11,342	14,339
Total liabilities	211,273	68,015	31,031	11,303	9,279	10,334	16,458	21,770	379,463
Net liquidity gap	(66,210)	(1,846)	1,909	6,395	4,484	14,559	32,850	36,319	28,460

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value 2 through profit or loss, see Note 12 Financial instruments (pages 195 to 234)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $64.6 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $5.7 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $41.5 billion

	2019								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	31,862	–	–	–	–	–	–	2,872	34,734
Derivative financial instruments	6,628	6,214	3,796	2,534	2,077	4,130	9,673	13,472	48,524
Loans and advances to banks[1,2]	15,670	13,491	6,220	3,333	2,146	1,490	1,078	113	43,541
Loans and advances to customers[1,2]	43,553	18,237	11,236	3,647	3,513	7,749	17,463	12,167	117,565
Investment securities	2,013	2,695	7,885	3,939	2,546	20,709	23,333	21,560	84,680
Investment in subsidiary undertaking[5]	–	–	–	–	–	–	–	9,227	9,227
Other assets	11,836	12,554	449	73	62	242	99	3,241	28,556
Due from subsidiary undertakings and other related parties	21,926	–	–	–	–	–	–	–	21,926
Total assets	133,488	53,191	29,586	13,526	10,344	34,320	51,646	62,652	388,753
Liabilities									
Deposits by banks[1,3]	22,682	2,669	893	82	318	49	18	1	26,712
Customer accounts[1,4]	124,802	26,159	8,835	3,292	1,736	904	709	261	166,698
Derivative financial instruments	7,017	6,230	4,013	2,735	1,944	4,789	10,000	11,719	48,447
Senior debt	296	1,247	494	274	214	240	1,037	2,977	6,779
Other debt securities in issue[1]	5,024	11,830	8,403	861	1,448	270	1,720	463	30,019
Due to parent companies and other related undertakings	43,357	–	–	–	–	–	–	–	43,357
Other liabilities	8,270	10,244	761	167	93	1,736	405	1,862	23,538
Subordinated liabilities and other borrowed funds	195	–	–	–	–	5	2,960	9,329	12,489
Total liabilities	211,643	58,379	23,399	7,411	5,753	7,993	16,849	26,612	358,039
Net liquidity gap	(78,155)	(5,188)	6,187	6,115	4,591	26,327	34,797	36,040	30,714

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments (pages 195 to 234)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $58.4 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $ 7.1 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $ 38.6 billion

5 Restated to include impairment in subsidiary undertakings

Behavioural maturity of financial assets and liabilities

The cashflows presented in the previous section reflect the cashflows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cashflow. In practice, certain assets and liabilities behave differently from their contractual terms, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Expected customer behaviour is assessed and managed on a country basis using qualitative and quantitative techniques, including analysis of observed customer behaviour over time.

Maturity of financial liabilities on an undiscounted basis

The following table analyses the contractual cashflows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the table below will not agree to the balances reported in the consolidated balance sheet as the table incorporates all contractual cashflows, on an undiscounted basis, relating to both principal and interest payments. Derivatives not treated as hedging derivatives are included in the 'On demand' time bucket and not by contractual maturity.

Within the 'More than five years and undated' maturity band are undated financial liabilities, the majority of which relate to subordinated debt, on which interest payments are not included as this information would not be meaningful, given the instruments are undated. Interest payments on these instruments are included within the relevant maturities up to five years.

Group

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	26,032	992	2,250	138	201	22	1	41	29,677
Customer accounts	200,420	39,820	11,338	3,879	4,531	4,609	611	138	265,346
Derivative financial instruments[1]	68,628	4	21	33	24	101	224	33	69,068
Debt securities in issue	1,422	8,349	10,153	2,784	2,600	3,558	2,398	2,446	33,710
Due to parent companies and other related undertakings	32,326								32,326
Subordinated liabilities and other borrowed funds	–	71	100	71	236	1,438	3,282	17,232	22,430
Other liabilities	11,991	16,670	2,272	287	109	481	217	1,548	33,575
Total liabilities	340,819	65,906	26,134	7,192	7,701	10,209	6,733	21,438	486,132

	2019								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	28,676	2,938	948	98	325	54	18	–	33,057
Customer accounts	194,528	32,651	14,932	5,853	4,146	1,622	799	323	254,854
Derivative financial instruments[1]	48,437	3	–	114	13	105	295	20	48,987
Debt securities in issue	5,359	13,250	9,733	1,173	1,669	524	2,873	3,587	38,168
Due to parent companies and other related undertakings	35,354								35,354
Subordinated liabilities and other borrowed funds	236	117	129	143	129	725	4,555	14,575	20,609
Other liabilities	7,719	14,371	2,314	230	148	1,767	671	3,442	30,662
Total liabilities	320,309	63,330	28,056	7,611	6,430	4,797	9,211	21,947	461,691

1 Derivatives are on a discounted basis

Company

	2020								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	20,936	744	2,206	123	182	21	–	40	24,252
Customer accounts	120,276	34,417	8,508	2,698	2,604	1,243	516	124	170,386
Derivative financial instruments[1]	68,043	4	20	29	22	73	199	33	68,423
Debt securities in issue	1,237	7,662	10,052	2,784	2,590	2,103	2,273	3,157	31,858
Due to parent companies and other related undertakings	43,012								43,012
Subordinated liabilities and other borrowed funds	–	71	100	71	236	1,438	3,274	16,288	21,478
Other liabilities	11,418	11,940	713	238	81	363	181	798	25,732
Total liabilities	264,922	54,838	21,599	5,943	5,715	5,241	6,443	20,440	385,141

	2019								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	23,744	2,699	910	85	324	54	18	–	27,834
Customer accounts	125,274	26,316	9,682	3,318	1,756	915	731	262	168,254
Derivative financial instruments[1]	47,952	1	2	112	13	98	250	19	48,447
Debt securities in issue	5,330	13,096	8,909	1,159	1,669	514	2,759	3,455	36,891
Due to parent companies and other related undertakings	43,357								43,357
Subordinated liabilities and other borrowed funds	195	114	126	140	126	713	4,283	13,763	19,460
Other liabilities	6,907	9,935	761	167	93	1,736	405	2,640	22,644
Total liabilities	252,759	52,161	20,390	4,981	3,981	4,030	8,446	20,139	366,887

1 Derivatives are on a discounted basis

Interest Rate Risk in the Banking Book

The following table provides the estimated impact to a hypothetical base case projection of the Group's earnings under the following scenarios:

- A 50 basis point parallel interest rate shock (up and down) to the current market-implied path of rates, across all yield curves.
- A 100 basis point parallel interest rate shock (up) to the current market-implied path of rates, across all yield curves.

These interest rate shock scenarios assume all other economic variables remain constant. The sensitivities shown represent the estimated change in base case projected net interest income (NII), plus the change in interest rate implied income and expense from FX swaps used to manage Banking Book currency positions, under the different interest rate shock scenarios.

The interest rate sensitivities are indicative and based on simplified scenarios, estimating the aggregate impact of an instantaneous parallel shock across all yield curves over a one-year horizon, including the time taken to implement changes to pricing before becoming effective. The assessment assumes that non-interest rate sensitive aspects of the size and mix of the balance sheet remain constant and that there are no specific management actions in response to the change in rates. Furthermore, revenue associated with trading book income positions is recognised in trading book income and is therefore excluded from the reported sensitivities. No assumptions are made in relation to the impact on credit spreads in a changing rate environment.

Significant modelling and behavioural assumptions are made regarding scenario simplification, market competition, pass-through rates, asset and liability re-pricing tenors, and price flooring. In particular, the assumption that interest rates of all currencies and maturities shift by the same amount concurrently, and that no actions are taken to mitigate the impacts arising from this are considered unlikely. Reported sensitivities will vary over time due to a number of factors including changes in balance sheet composition, market conditions, customer behaviour and risk management strategy and should therefore not be considered an income or profit forecast.

	2020			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	**USD bloc $million**	**SGD bloc $million**	**Other currency bloc $million**	**Total $million**
+ 50 basis points	30	50	40	120
- 50 basis points	(60)	(60)	(50)	(170)
+ 100 basis points	60	100	80	240

	2019			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc $million	SGD bloc $million	Other currency bloc $million	Total $million
+ 50 basis points	(30)	40	70	80
- 50 basis points	40	(40)	(70)	(70)
+ 100 basis points	(60)	80	130	150

As at 31 December 2020, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50 basis points to increase projected NII by $120 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $170 million. The Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 100 basis points to increase projected NII by $240 million.

The benefit from rising interest rates is primarily from reinvesting at higher yields and from assets re-pricing faster and to a greater extent than deposits. Overall NII sensitivity in all scenarios has increased versus 31 December 2019, driven by Treasury Markets risk management activity as rates fell during March 2020, and changes in the composition of the balance sheet and modelling assumptions.

The asymmetry between the up and down 50 basis point shock has widened primarily due to the low level of interest rates, which may constrain the Group's ability to reprice liabilities should rates fall by a further 50 basis points, as well as differing behavioural assumptions, which are scenario specific. The decision to pass on changes in interest rates is highly speculative and depends on a range of factors including market environment and competitor behaviour.

The US dollar sensitivity is dampened further by the exclusion of trading book revenue. The reported sensitivities include the cost of banking book liabilities used to fund the trading book, however the income associated with the corresponding trading book assets is excluded and recognised in trading book income. Further information on the impact of changes in interest rates on trading book is set out in the Market Risk section (pages 109 to 111).

Operational Risk

Operational Risk is defined as the "Potential for loss from inadequate or failed internal processes, technology, human error, or from the impact of external events (including legal risks)" and it is inherent in the Group carrying out business.

Operational Risk profile

In 2020, the PLC Group has implemented a refreshed Framework to continue to enhance the management of operational risk; ensuring risk is managed within Risk Appetite and we continue to deliver services to our clients. This has been adopted by the Group via an addendum to the PLC Group's Framework.

The Group has continued to provide a stable level of service to clients during the period of COVID-19 and adapted swiftly to changes in operations brought by the pandemic. As a result of the changes in internal and external operating environment due to COVID-19, the following risk areas are heightened – Fraud, Information & Cyber Security, Privacy, Conduct and Resilience.

Operational Risk events and losses

Operational losses are one indicator of the effectiveness and robustness of the non-financial risk control environment. As at 31 December 2020, recorded operational losses for 2020 are lower than 2019 (excluding monetary penalties to the US authorities and the Financial Conduct Authority (FCA) for legacy conduct and control issues). The largest loss recorded for 2020 relates to Execution Delivery and Process Management for $25m under the Corporate Items Basel business line; while the largest loss recorded for 2019 as at 31 December 2020 relates to Execution Delivery and Process Management for $31m under Corporate Items.

The Group's profile of operational loss events in 2020 and 2019 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business line.

	% Loss	
Distribution of Operational Losses by Basel business line	**2020**	2019[1]
Agency services	**0.3%**	0.1%
Commercial Banking	**25.0%**	6.3%
Corporate Finance	**–**	24.8%
Corporate Items	**33.4%**	39.7%
Payment and Settlements	**2.7%**	2.2%
Retail Banking	**23.0%**	21.3%
Retail Brokerage	**0.4%**	0.1%
Trading and Sales	**15.3%**	5.5%

1 Losses in 2019 include incremental events that were recognised in 2020 and exclude monetary penalties to the US authorities and the FCA

The Group's profile of operational loss events in 2020 and 2019 is also summarised by Basel event type in the table below. It shows the percentage distribution of gross operational losses by Basel event type.

	% Loss	
Distribution of Operational Losses by Basel event type	**2020**	2019[1]
Business disruption and system failures	**2.2%**	0.7%
Clients products and business practices	**2.4%**	2.3%
Damage to physical assets	**0.1%**	–
Employment practices and workplace safety	**0.5%**	0.1%
Execution delivery and process management	**73.7%**	59.7%
External fraud	**19.0%**	37.0%
Internal fraud	**2.2%**	0.2%

1 Losses in 2019 include incremental events that were recognised in 2020 and exclude monetary penalties to the US authorities and the FCA

Other principal risks

Losses arising from operational failures for other principal risks (for example: Compliance, Conduct, Reputational, Information and Cyber Security, Financial Crime and Model Risk) are reported as operational losses. Operational losses do not include Operational Risk-related credit impairments.

Risk Management Framework

Effective risk management is essential in delivering consistent and sustainable performance for all of our stakeholders and is a central part of the financial and operational management of the Group. The Group adds value to clients and the communities in which they operate by taking and managing appropriate levels of risk, which in turn generates returns for shareholders.

Following the subsidiary reorganization and creation of a dual hub model comprising the Group and the Greater China & North Asia (GCNA) hub under PLC, we launched a distinct Risk Management Framework ("RMF") for the Group, approved by the Standard Chartered Bank Board of Directors ("Court") in June 2020. The RMF enables the Group to manage Group-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. The RMF has been designed in accordance with the PLC Group's Enterprise Risk Management Framework ("ERMF") with the explicit goal of improving the Group's risk management.

In December 2020, we revised the RMF in line with the changes in the ERMF. The following changes were approved by the Court:

- Given its overarching nature, Conduct Risk Management has been incorporated as an integral component of the overall RMF rather than viewed as a standalone risk. This change allows the Group to view Conduct Risk through the lens of delivering positive outcomes for our clients, markets, and internal and external stakeholders management
- Given the Group's diverse footprint, Country Risk management has also been incorporated as an integral component of the overall RMF, as part of Group strategy and strategic risk management
- Reputational Risk has been expanded to include Sustainability Risk. There is increasing focus on issues relating to environment, social and governance risk from both regulators and investors, and the Group's commitments to be a leader in sustainable and responsible banking make this is a core tenet of our franchise.
- Technology risk has been made more prominent within the Operational Risk principal risk type, in order to meet the needs of the digital agenda of the Group and further strengthen Technology risk management capabilities.

The revised RMF was approved on 10 December 2020 and became effective on 1 January 2021.

Risk culture

The Group's risk culture provides guiding principles for the behaviours expected from our people when managing risk. The Court has approved a risk culture statement that encourages the following behaviours and outcomes:

- An enterprise-level ability to identify and assess current and future risks, openly discuss these and take prompt actions
- The highest level of integrity by being transparent and proactive in disclosing and managing all types of risks
- A constructive and collaborative approach in providing oversight and challenge, and taking decisions in a timely manner
- Everyone to be accountable for their decisions and feel safe in using their judgement to make these considered decisions

We acknowledge that banking inherently involves risk-taking and undesired outcomes will occur from time to time; however, we will take the opportunity to learn from our experience and formalise improvements. We expect managers to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change.

Strategic risk management

The Group approaches strategic risk management as follows:

- By conducting an impact analysis on the risk profile from growth plans, strategic initiatives and business model vulnerabilities with the aim of proactively identifying and managing new risks or existing risks that need to be reprioritised as part of the strategy review process
- By confirming that growth plans and strategic initiatives can be delivered within the approved Risk Appetite and/or proposing additional Risk Appetite for Court consideration as part of the strategy review process
- By validating the Corporate Plan against the approved or proposed Risk Appetite Statement to the Court. The Court approves the strategy review and the five-year Corporate Plan with a confirmation from the Group Chief Risk Officer that it is aligned with the RMF and the Group Risk Appetite Statement where projections allow
- Country risk management approach and country risk reviews are used to ensure the Country Limits and Exposures are reasonable and in line with Group strategy, country strategy, and the operating environment, considering the identified risks. The Group leverages the PLC Group's framework for country risk management.

Roles and responsibilities

Senior Managers Regime

Roles and responsibilities under the RMF are aligned to the objectives of the Senior Managers Regime. The Group Chief Risk Officer is responsible for the overall development and maintenance of the Group's RMF and for identifying material risk types to which the Group may be potentially exposed. The Group Chief Risk Officer delegates effective implementation of the PLC Group's Risk Type Frameworks (RTFs) through the RMF to Risk Framework Owners who provide second line of defence oversight for the Principal Risk Types. In addition, the Group Chief Risk Officer has been formally identified as the relevant Senior Manager responsible for Climate Risk management as it relates to financial and non-financial risks to the Group arising from climate change. This does not include elements of corporate social responsibility, the Group's contribution to climate change and the Sustainable Finance strategy supporting a low-carbon transition, which are the responsibility of other relevant Senior Managers.

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk across the Group by providing oversight and challenge, thereby ensuring that business is conducted in line with regulatory expectations.

The Group Chief Risk Officer directly manages the Risk function, which is separate and independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- Maintaining the RMF, ensuring that it remains relevant and appropriate to the Group's business activities, and is effectively communicated and implemented across the Group, and administering related governance and reporting processes
- Upholding the overall integrity of the Group's risk and return decisions to ensure that risks are properly assessed, that these decisions are made transparently on the basis of proper assessments and that risks are controlled in accordance with the PLC Group's standards and the Group's Risk Appetite
- Overseeing and challenging the management of Principal Risk Types under the RMF

The independence of the Risk function ensures that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the broader organisation.

The Risk function supports the Group's commitment to be Here for good by building a sustainable framework that places regulatory and compliance standards and a culture of appropriate conduct at the forefront of the Group's agenda, in a manner proportionate to the nature, scale and complexity of the Group's business.

Conduct, Financial Crime and Compliance (CFCC), under the Management Team leadership of the Group Head, Corporate Affairs, Brand & Marketing and CFCC, works alongside the Risk function within the framework of the RMF to deliver a unified second line of defence.

Three lines of defence model

Roles and responsibilities for risk management are defined under a three lines of defence model. Each line of defence has a specific set of responsibilities for risk management and control as shown in the table below.

Lines of defence	Definition	Key responsibilities include
1st	The businesses and functions engaged in or supporting revenue-generating activities that own and manage the risks	• Propose the risks required to undertake revenue-generating activities • Identify, assess, monitor and escalate risks and issues to the second line and senior management[1] and promote a healthy risk culture and good conduct • Validate and self-assess compliance to RTFs and Policies, confirm the quality of validation, and provide evidence based affirmation to Second Line. • Manage risks within Risk Appetite, set and execute remediation plans and ensure laws and regulations are being complied with • Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the second line
2nd	The control functions independent of the first line that provide oversight and challenge of risk management to provide confidence to the Group Chief Risk Officer, senior management and the Court	• Identify, monitor and escalate risks and issues to the Group Chief Risk Officer, senior management and the Court and promote a healthy risk culture and good conduct • Oversee and challenge first line risk-taking activities and review first line risk proposals • Propose Risk Appetite to the Court, monitor and report adherence to Risk Appetite and intervene to curtail business if it is not in line with existing or adjusted Risk Appetite, there is material non-compliance with policy requirements or when operational controls do not effectively manage risk • Set risk data aggregation, risk reporting and data quality requirements • Ensure that there are appropriate controls to comply with applicable laws and regulations, and escalate significant non-compliance matters to senior management and the appropriate committees
3rd	The Internal Audit function provides independent assurance on the effectiveness of controls that support first line's risk management of business activities, and the processes maintained by the second line	• Independently assess whether management has identified the key risks in the businesses and whether these are reported and governed in line with the established risk management processes • Independently assess the adequacy of the design of controls and their operating effectiveness

1 Senior management in this table refers to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime (SMR)

Risk appetite and profile

We recognise the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- Risk capacity is the maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies
- Risk Appetite is defined by the Group and approved by the Court. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy. Risk Appetite cannot exceed risk capacity

The Court has approved a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters known as Risk Appetite metrics and their associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group.

The Group Risk Appetite is reviewed at least on an annual basis to ensure that it is fit for purpose and aligned with strategy, and focus is given to emerging or new risks. The Risk Appetite Statement is supplemented by an overarching statement outlining the Group's Risk Appetite principles.

Risk Appetite principles

The Group Risk Appetite is defined in accordance with risk management principles that inform our overall approach to risk management and our risk culture. We follow the highest ethical standards and ensure a fair outcome for our clients, as well as facilitating the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. We set our Risk Appetite to enable us to grow sustainably and to avoid shocks to earnings or our general financial health, as well as manage our Reputational Risk in a way that does not materially undermine the confidence of our investors and all internal and external stakeholders.

Risk Appetite Statement
The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The Group Risk Appetite is supplemented by risk control tools such as granular level limits, policies, standards and other operational control parameters that are used to keep the Group's risk profile within Risk Appetite. The Group's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Status against Risk Appetite is reported to the Court, Court Risk Committee and the Standard Chartered Bank Executive Risk Committee, including the status of breaches and remediation plans where applicable. In addition to Risk Appetite Statements for the Principal Risk Types, the Group also has a Risk Appetite Statement for Climate Risk which is a material cross-cutting risk that can manifest through other risk types. The Standard Chartered Bank Executive Risk Committee, and the Standard Chartered Bank & Solo Asset and Liability Management Committee are responsible for ensuring that our risk profile is managed in compliance with the Risk Appetite set by the Court. The Court Risk Committee advises the Court on the Risk Appetite Statement and monitor the Group's compliance with it.

Risk identification and assessment
Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication we use Principal Risk Types to classify our risk exposures. Nevertheless, we also recognise the need to maintain an overall perspective since a single transaction or activity may give rise to multiple types of risk exposure, risk concentrations may arise from multiple exposures that are closely correlated, and a given risk exposure may change its form from one risk type to another. There are also sources of risk that arise beyond our own operations such as the Group's dependency on suppliers for the provision of services and technology. As the Group remains accountable for risks arising from the actions of such third parties, failure to adequately monitor and manage these relationships could materially impact the Group's ability to operate and could have an impact on our ability to continue to provide services that are material to the Group.

To facilitate risk identification and assessment, the Group leverages the PLC Group's dynamic risk-scanning process with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Group maintains an inventory of the Principal Risk Types and risk sub-types that are inherent to the strategy and business model; and emerging risks that include near-term as well as longer-term uncertainties. Near-term risks are those that are on the horizon and can be measured and mitigated to some extent, while uncertainties are longer-term matters that should be on the radar but are not yet fully measurable.

The Group Chief Risk Officer and the Standard Chartered Bank Executive Risk Committee review regular reports on the risk profile for the Principal Risk Types, adherence to the approved Risk Appetite and the Group risk inventory including emerging risks. They use this information to escalate material developments in each risk event and make recommendations to the Court annually on any potential changes to our Corporate Plan.

Stress testing
Stress tests are performed at the PLC Group, Solo, country, business and portfolio level.

The objective of stress testing is to support the PLC Group in assessing that it:

- Does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- Has sufficient financial resources to withstand severe but plausible scenarios
- Has the financial flexibility to respond to extreme but plausible scenarios
- Understands the key business model risks and considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and identifies as required, actions to mitigate the likelihood or impact as required

The PLC Group level stress tests include Capital and Liquidity Adequacy Stress Tests, including in the context of capital adequacy, recovery and resolution, and stress tests that assess scenarios where our business model becomes challenged, such as the BoE Biennial Exploratory Scenario, or unviable, such as reverse stress tests.

The Group relies on these stress tests to understand the Group-level vulnerabilities. The Group Chief Risk Officer and Group Chief Financial Officer can recommend strategic actions based on these stress results to ensure that the Group Strategy remains within the Court-approved Risk Appetite.

Principal Risk Types
Principal Risk Types are risks that are inherent in our strategy and business model and have been formally defined in the Group's RMF. These risks are managed in line with the PLC Group RTFs which are adopted by the Company via an addendum to each RTF. The Principal Risk Types and associated Risk Appetite Statements are approved by the Court.

The Group currently recognises Climate Risk as a material cross-cutting risk. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it.

In future reviews, we will continue to consider if existing Principal Risk Types or incremental risks should be treated as cross-cutting risks. The table below shows the Group's current Principal Risk Types.

Principal Risk Types	Definition
Credit Risk	• Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group
Traded Risk	• Potential for loss resulting from activities undertaken by the Group in financial markets
Capital and Liquidity Risk	• Capital: potential for insufficient level, composition or distribution of capital to support our normal activities • Liquidity: Risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due
Operational and Technology Risk	• Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks)
Information and Cyber Security Risk	• Risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems
Compliance Risk	• Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws or regulations
Financial Crime Risk	• Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption and Fraud
Model Risk	• Potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models
Reputational and Sustainability Risk	• Potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships, or our own operations

RMF effectiveness reviews

Effectiveness review of the RMF is managed by the PLC Group as part of the annual effectiveness review of the ERMF. At Group level, a self-assessment is conducted on annual basis to assess the overall effectiveness of the RMF, and the results are taken into consideration in the ERMF effectiveness review. The Group Chief Risk Officer is responsible for annually affirming the effectiveness of the RMF to the Court Risk Committee.

Following the launch of the RMF in June 2020, the initial RMF self-assessment has shown that risks are managed effectively in 2020. Over the course of 2021, the Group aims to further strengthen its risk management practices and target further enhancements in the management of financial and non-financial risk types.

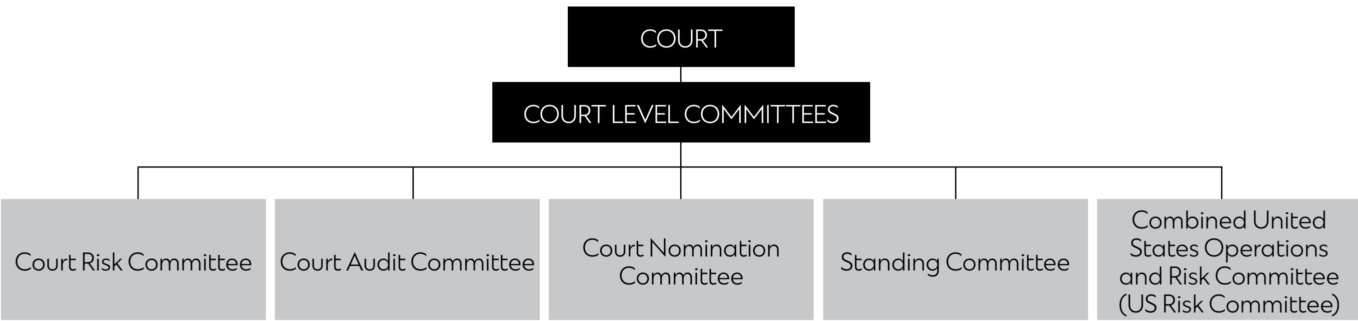
Executive and Court Risk oversight

Overview

The Court comprises of the independent non-executive directors from the PLC Board ("Dual Non-executive Directors"), executive directors from the PLC Board ("Dual Executive Directors") and executive directors who are appointed solely to the Court ("Independent Executive Directors") with the specific purpose of providing independent decision making at the Court meetings.

The Court has ultimate responsibility for risk management and is supported by five Board-level committees. The Court approves the RMF based on the recommendation from the Court Risk Committee, which also recommends to the Court the Group Risk Appetite Statement for all Principal Risk Types.

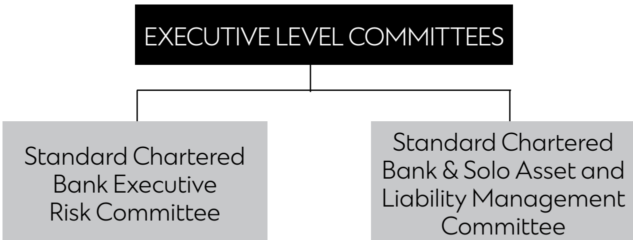
Court and Executive level risk committee governance structure



Court Risk Committee:
The Court Risk Committee is concerned with the oversight and review of principal risks.

Court Audit Committee:
The Court Audit Committee is concerned with the oversight and review of financial, audit, internal control and non-financial crime issues.

Combined United States Operations and Risk Committee (US Risk Committee):
The US Risk Committee is required to meet the requirements of the Dodd-Frank Act Section 165 Enhanced Prudential Standard Final Rules as released by the Federal Reserve Bank. It has prescribed responsibilities in relation to overseeing the risk management framework, approving and overseeing the implementation of the risk management policies and also specific review and approval responsibilities in relation to liquidity risk management. Membership of the Committee is comprised of the Group Chief Risk Officer, the Chief Executive Officer, Europe and Americas and an independent non-executive director of the Company or PLC.



The Company's Management Team comprises of the members of the PLC Group Management Team including the Group Chief Executive Officer, the Group Chief Risk Officer and the Group Chief Financial Officer. Their responsibilities under the Senior Management Regime cover both the PLC Group and the Group.

The Company has two management level committees, namely the Standard Chartered Bank Executive Risk Committee and Standard Chartered Bank & Solo Asset and Liability Management Committee.

Standard Chartered Bank Executive Risk Committee
The Standard Chartered Bank Executive Risk Committee is responsible for ensuring the effective management of risk throughout the Group in support of the Group's strategy. The Group Chief Risk Officer chairs the Committee, whose members are drawn from the PLC Group's Management Team. The Committee determines the RMF for the Group, including the delegation of any part of its authorities to appropriate individuals or properly constituted sub-committees. The Committee requests and receives relevant information to fulfil its governance mandates relating to the risks to which the Group is exposed. As with the Court Risk Committee, the Standard Chartered Bank Executive Risk Committee and Standard Chartered Bank & Solo Asset and Liability Management Committee receive reports that include information on risk measures, Risk Appetite metrics and thresholds, risk concentrations, forward-looking assessments, updates on specific risk situations and actions agreed by these committees to reduce or manage risk.

Standard Chartered Bank & Solo Asset and Liability Management Committee
The Standard Chartered Bank & Solo Asset and Liability Management Committee is chaired by the CEO, Corporate, Commercial & Institutional Banking and Europe & Americas. Its members are drawn principally from the PLC Group's Management Team. The Committee is responsible for determining the Group's approach to balance sheet management and ensuring that, in executing the Group's strategy, the Group operates within internally approved Risk Appetite and external requirements relating to capital, liquidity and leverage risk. It is also responsible for policies relating to balance sheet management, including management of our liquidity and capital adequacy, structural foreign exchange, interest rate and tax exposure.

Principal risks

We manage and control our Principal Risk Types in line with the PLC Group Risk Type Frameworks, policies and Court-approved Risk Appetite. These are implemented at the Company level via addenda to the PLC Group Risk Type Frameworks.

Credit Risk

The Group defines Credit Risk as the potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group

Risk Appetite Statement

The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors

Roles and responsibilities

The Company addenda to the Credit Risk Type Frameworks are set and owned by the Chief Risk Officers for the business segments. The Credit Risk function is the second line control function responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of the business and functions engaged in or supporting revenue-generating activities which constitute the first line of defence. In addition, they ensure that Credit Risks are properly assessed and transparent; and that credit decisions are controlled in accordance with the Group's Risk Appetite, PLC Group's credit policies and standards.

Mitigation

We apply the segment-specific PLC Group policies for the management of Credit Risk.

The Credit Policy for Corporate, Commercial and Institutional Banking Client Coverage sets the principles that must be followed for the end-to-end credit process including credit initiation, credit grading, credit assessment, product structuring, Credit Risk mitigation, monitoring and control, and documentation.

The Retail Credit Risk Management Policy sets the principles for the management of retail and business banking lending, account and portfolio monitoring, collections management and forbearance programmes. In addition, there are other PLC Group-wide policies integral to Credit Risk management such as those relating to Risk Appetite, Model Risk, stress testing, and impairment provisioning.

We also apply the PLC Group standards for the eligibility, enforceability and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from a given account, client or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Risk mitigants are also carefully assessed for their market value, legal enforceability, correlation and counterparty risk of the protection provider.

Collateral must be valued prior to drawdown and regularly thereafter as required to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. We also seek to diversify our collateral holdings across asset classes and markets.

Where guarantees, credit insurance, standby letters of credit or credit derivatives are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit approval process applied to the obligor.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of Credit Risk.

At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Credit Risk for the Group, and relies on other key PLC Group committees for the management of Credit Risk – in particular the Corporate, Commercial and Institutional Banking Risk Committee (CCIBRC), the Private Banking Process Governance and Risk Committee, and the regional risk committees for ASEAN and South Asia and Africa & Middle East. These committees are responsible for overseeing the Credit Risk profile of the PLC Group within the respective business areas and regions.

Decision-making authorities and delegation

The Credit Risk Type Frameworks are the formal mechanism which delegate Credit Risk authorities cascading from the Group Chief Risk Officer, as the Senior Manager of the Credit Risk Type, to individuals such as the business segments' Chief Risk Officers. Named individuals further delegate credit authorities to individual credit officers by applying delegated credit authority matrices, which determine the maximum limits based on risk-adjusted scales by customer type or portfolio. The decision-making authorities and delegations are set out at the Group level via the Company addenda to the Credit Risk Type Frameworks.

Credit Risk authorities are reviewed at least annually to ensure that they remain appropriate. In Corporate, Commercial and Institutional banking Client Coverage and Private Banking, the individuals delegating the Credit Risk authorities perform oversight by reviewing a sample of the limit applications approved by the delegated credit officers on a monthly basis. In Retail Banking, credit decision systems and tools (e.g., application scorecards) are used for credit decisioning. Where manual credit decisions are applied, these are subject to periodic quality control assessment and assurance checks.

Monitoring
We regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports that are presented to risk committees contain information on key political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.

The Industry Portfolio Mandate, developed jointly by the Corporate, Commercial and Institutional banking Client Coverage business and Risk function, provides a forward-looking assessment of risk using a platform from which business strategy, risk considerations and client planning are performed with one consensus view of the external industry outlook, portfolio overviews, Risk Appetite, underwriting principles and stress test insights.

In Corporate, Commercial and Institutional banking Client Coverage, clients and portfolios are subjected to additional review when they display signs of actual or potential weakness; for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, or non-performance of an obligation within the stipulated period. Such accounts are subjected to a dedicated process overseen by the Credit Issues Committees in the relevant countries where client account strategies and credit grades are re-evaluated. In addition, remedial actions including exposure reduction, security enhancement, or exiting the account could be undertaken, and certain accounts could also be transferred into the control of Group Special Assets Management (GSAM), which is our specialist recovery unit for Corporate, Commercial and Institutional banking Client Coverage and Private Banking that operates independently from our main business.

For Retail Banking exposures, portfolio delinquency trends are monitored on an ongoing basis. Account monitoring is based on behavioural scores and bureau performance (where available). Accounts that are past due (or perceived as high risk but not yet past due) are subject to a collections or recovery process managed by a specialist function independent from the origination function. In some countries, aspects of collections and recovery activities are outsourced.

In addition, an independent Credit Risk Review team as part of Enterprise Risk Management, performs judgment based assessments of the Credit Risk profiles at various portfolio-levels, with focus on selected Countries and Segments through deep dives, comparative analysis, and review and challenge of the basis of credit approvals. The review ensures that the evolving Credit Risk profiles of Corporate, Commercial and Institutional as well as Retail Banking are well-managed within our Risk Appetite and policies through prompt and forward-looking mitigating actions.

Credit rating and measurement
All credit proposals are subject to a robust Credit Risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is based on the client's credit quality and the repayment capacity from operating cashflows for counterparties; and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the Credit Risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default.

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. Since 1 January 2008 we have used the advanced internal ratings-based approach under the Basel regulatory framework to calculate Credit Risk capital requirements. The PLC Group has also established a global programme to undertake a comprehensive assessment of capital requirements necessary to be implemented to meet the latest revised Basel III finalisation (Basel IV) regulations.

A standard alphanumeric Credit Risk grade system is used for Corporate, Commercial and Institutional banking Client Coverage. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower numeric credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

Retail Banking internal ratings-based portfolios use application and behavioural credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric Credit Risk grade system. We refer to external ratings from credit bureaus (where these are available); however we do not rely solely on these to determine Retail Banking credit grades.

Advanced internal ratings-based models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy and optimising our risk-return decisions. Material internal ratings-based risk measurement models are approved by the PLC Group Model Risk Committee. Prior to review and approval, all internal ratings-based models are validated in detail by a model validation team which is separate from the teams that develop and maintain the models. Models undergo annual validation by the model validation team. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process which takes place between the annual validations.

Credit Concentration Risk

Credit Concentration Risk may arise from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated. Large exposure Concentration Risk is managed through concentration limits set for a counterparty or a group of connected counterparties based on control and economic dependence criteria. Risk Appetite metrics are set at portfolio level and monitored to control concentrations, where appropriate, by industry, specific products, tenor and collateralisation level. Single name credit concentration thresholds are set by client group depending on credit grade, and by customer segment. For concentrations that are material at a Group level, breaches and potential breaches are monitored by the respective governance committees and reported to the Standard Chartered Bank Executive Risk and Court Risk Committees.

Credit impairment

Expected credit losses (ECL) are determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money, and forward looking information such as critical global or country-specific macroeconomic variables. For more detailed information on macroeconomic data feeding into IFRS 9 ECL calculations, please refer to page 100.

At the time of origination or purchase of a non-credit-impaired financial asset (stage 1), ECL represent cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continue to be determined on this basis until there is a significant increase in the Credit Risk of the asset (stage 2), in which case an ECL is recognised for default events that may occur over the lifetime of the asset. If there is observed objective evidence of credit impairment or default (stage 3), ECL continue to be measured on a lifetime basis.

In Corporate, Commercial and Institutional banking Client Coverage and Private Banking, a loan is considered credit-impaired where analysis and review indicate that full payment of either interest or principal, including the timeliness of such payment, is questionable, or as soon as payment of interest or principal is 90 days overdue. These credit-impaired accounts are managed by our specialist recovery unit (GSAM). Where appropriate, non-material credit impaired accounts are co-managed with the business under the supervision of GSAM.

In Retail Banking, a loan is considered credit-impaired as soon as payment of interest or principal is 90 days overdue or meets other objective evidence of impairment such as bankruptcy, debt restructuring, fraud or death. Financial assets are written off when there is no realistic prospect of recovery and the amount of loss has been determined. For Retail Banking assets, a financial asset is written off when it meets certain threshold conditions which are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations, or a loss of principal is expected.

Estimating the amount and timing of future recoveries involves significant judgement and considers the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market. The total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the regions in which the Group operates. For further details on sensitivity analysis of expected credit losses under IFRS 9, please refer to page 100.

Stress testing

Stress testing is a forward-looking risk management tool that constitutes a key input into the identification, monitoring and mitigation of Credit Risk, as well as contributing to Risk Appetite calibration. Periodic stress tests are performed on credit portfolios/segments at PLC Group and country level to anticipate vulnerabilities from stressed conditions and initiate timely right-sizing and mitigation plans. Additionally, multiple enterprise-wide and country-level stress tests are mandated by regulators to assess the ability of the PLC Group and its subsidiaries to continue to meet their capital requirements during a plausible, adverse shock to the business. These regulatory stress tests are conducted in line with the principles stated in the Enterprise Stress Testing Policy. The Group relies on these stress tests to understand the Group level vulnerabilities given the significant overlap between the Group and PLC Group credit risk profile.

Traded Risk

The Group defines Traded Risk as the potential for loss resulting from activities undertaken by the Group in financial markets

Risk Appetite Statement

The Group should control its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the PLC Group's franchise

The Company addendum to the Traded Risk Type Framework (TRTF) brings together all risk types exhibiting risk features common to Traded Risk. These risk sub-types include Market Risk, Counterparty Credit Risk, Issuer Risk, XVA, Algorithmic Trading and Pension Risk. Traded Risk Management (TRM) is the core risk management function supporting market-facing businesses, specifically Financial Markets and Treasury.

Roles and responsibilities

The Company addendum to the TRTF, which sets the roles and responsibilities in respect of Traded Risk for the Group, is owned by the Global Head, Traded Risk Management. The business, acting as first line of defence, is responsible for the effective management of risks within the scope of its direct organisational responsibilities set by the Court. The TRM function is the second line control function that performs independent challenge, monitoring and oversight of the Traded Risk management practices of the first line of defence. The first and second lines of defence are supported by the organisation structure, job descriptions and authorities delegated by Traded Risk control owners.

Mitigation

We apply the PLC Group policies for management of Traded Risk.

The Group controls its trading portfolio and activities within Risk Appetite by assessing the various Traded Risk factors. These are captured and analysed using proprietary analytical tools, in addition to risk managers' specialist market and product knowledge.

The Group's Traded Risk exposure is aligned with its Risk Appetite for Traded Risk, and assessment of potential losses that might be incurred by the Group as a consequence of extreme but plausible events.

All businesses incurring Traded Risk must be in compliance with the TRTF. The Company addendum to the TRTF requires that Traded Risk limits are defined at a level appropriate to ensure that the Group remains within Traded Risk Appetite.

The Company addendum to the TRTF, and underlying policies and standards ensure that these Traded Risk limits are implemented. All Traded Risk exposures throughout the Group aggregate up to TRM's Group-level reporting. This aggregation approach ensures that the limits structure across the Group is consistent with the Group's Risk Appetite.

The Company addendum to the TRTF and Enterprise Stress Testing Policy ensure that adherence to stress-related Risk Appetite metrics is achieved. Stress testing aims at supplementing other risk metrics used within the Group by providing a forward-looking view of positions and an assessment of their resilience to stressed market conditions. Stress testing is performed on all Group businesses with Traded Risk exposures, either where the risk is actively traded or where material risk remains. This additional information is used to inform the management of the Traded Risk taken within the Group. The outcome of stress tests is discussed across the various business lines and management levels so that existing and potential risks can be reviewed, and related management actions can be decided upon where appropriate.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of Traded Risk. At the executive level, the Standard Chartered Executive Risk Committee is responsible for the governance and oversight of Traded Risk for the Group, and relies on other key PLC Group committees for the management of Traded Risk – in particular CCIBRC and Model Risk Committee. Where Traded Risk limits are set at a country level, committee governance is:

- Subsidiary authority for setting Traded Risk limits, where applicable, is delegated from the local Board to the local risk committee, Country Chief Risk Officer and Traded Risk managers.
- Branch authority for setting Traded Risk limits remains with TRM which retains responsibility for monitoring and reporting excesses.

Decision-making authorities and delegation

The Group's Risk Appetite Statement, along with the key associated Risk Appetite metrics, is approved by the Court.

The Group Chief Risk Officer delegates authority for all Traded Risk limits to the TRTF Owner (Global Head, TRM) who in turn delegates approval authorities to individual Traded Risk managers.

Additional limits are placed on specific instruments, positions, and portfolio concentrations where appropriate. Authorities are reviewed at least annually to ensure that they remain appropriate and to assess the quality of decisions taken by the authorised person. Key risk-taking decisions are made only by certain individuals with the skills, judgement and perspective to ensure that the Group's control standards and risk-return objectives are met. Authority delegators are responsible for monitoring the quality of the risk decisions taken by their delegates and the ongoing suitability of their authorities.

Market Risk

The Group uses a Value at Risk (VaR) model to measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities. VaR is a quantitative measure of Market Risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcomes.

For day to day risk management, VaR is calculated as at the close of business, generally at UK time for expected market movements over one business day and to a confidence level of 97.5 per cent. Intra-day risk levels may vary from those reported at the end of the day.

The Group applies two VaR methodologies:

- Historical simulation: this involves the revaluation of all existing positions to reflect the effect of historically observed changes in Market Risk factors on the valuation of the current portfolio. This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk VaRs
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaRs in relation to idiosyncratic exposures in credit markets

A one-year historical observation period is applied in both methods.

As an input to regulatory capital, Trading Book VaR is calculated for expected movements over ten business days and to a confidence level of 99 per cent. Some types of market risk are not captured in the regulatory VaR measure, and these "Risks-not-in-VaR" (RNiVs) are subject to capital add-ons.

Counterparty Credit Risk

The Counterparty Credit Risk arising from activities in financial markets is in scope of the Risk Appetite set by the Group for Traded Risk.

The Group uses a Potential Future Exposure (PFE) model to measure the credit exposure arising from the positive mark to market of traded products and future potential movements in market rates, prices and volatilities. PFE is a quantitative measure of Counterparty Credit Risk that applies recent historical market conditions to estimate the potential future credit exposure that will not be exceeded in a set time period at confidence level of 97.5 per cent.

PFE is calculated for expected market movements over different time horizons, based on the tenor of the transactions.

The Group applies two PFE methodologies, predominantly simulation-based, as well as by way of add-ons

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. Limits are typically reviewed twice a year.

Most of the Traded Risk exposures are monitored daily against approved limits. Traded Risk limits apply at all times, unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan. Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

TRM reports and monitors limits applied to stressed exposures. Stress scenario analysis is performed on all Traded Risk exposures in financial markets and in portfolios outside financial markets such as syndicated loans and principal finance. Stress loss excesses are discussed with the business and approved where appropriate, based on delegated authority levels.

Stress testing

The VaR and PFE measurements are complemented by weekly stress testing of Market Risk and Counterparty Credit Risk to highlight the potential risk that may arise from severe but plausible market events.

Stress testing is an integral part of the Traded Risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets and Treasury books. Ad hoc scenarios are also prepared, reflecting specific market conditions and for particular concentrations of risk that arise within the business.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The TRM function reviews stress testing results and, where necessary, enforces reductions in overall Traded Risk exposures. The Standard Chartered Bank Executive Risk Committee considers the results of stress tests as part of its supervision of Risk Appetite.

Where required, PLC Group and business-wide stress testing will be supplemented by entity stress testing at a country level. This stress testing is coordinated at the country level and subject to the relevant local governance.

Capital and Liquidity Risk

The Group defines Capital Risk as the potential for insufficient level, composition or distribution of capital to support our normal activities, and Liquidity Risk as the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due

Risk Appetite Statement

Individual regulated entities within the Group should maintain a strong capital and liquidity position and meet their minimum capital and liquidity requirements

Roles and responsibilities

The Company addendum to the Capital and Liquidity Risk Type Framework sets the roles and responsibilities in respect of Capital and Liquidity Risk, and it is owned by the Treasurer who is responsible for the Risk Type Framework for Capital and Liquidity Risk and for complying with regulatory requirements at the Group level. The Treasury and Finance functions, as the second line of defence, provide independent challenge and oversight of the first line risk management activities relating to Capital and Liquidity Risk. In country, the Treasurer is supported by Treasury and Finance in implementing the Capital and Liquidity Risk Type Framework.

Mitigation

We apply the PLC Group policies for management of Capital and Liquidity Risk, and closely monitor our risk profile through Risk Appetite metrics set at Solo and country level.

Capital Risk

In order to manage Capital Risk, strategic business and capital plans are drawn up covering a five-year horizon and are approved by the Court annually. The capital plan ensures that adequate levels of capital, including loss- absorbing capacity, and an efficient mix of the different components of capital are maintained to support our strategy and business plans. Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Capital planning takes the following into account:

- Current regulatory capital requirements and our assessment of future standards and how these might change
- Demand for capital due to the business and loan impairment outlook and potential market shocks or stresses
- Available supply of capital and capital raising options, including ongoing capital accretion from the business

Additionally, Solo level Risk Appetite metrics including capital and minimum requirement for own funds and eligible liability (MREL) are assessed within the Corporate Plan to ensure that our business plan can be achieved within risk tolerances.

Structural FX Risk

The Group's structural position results from the Company's non-US dollar investment in the share capital and reserves of subsidiaries and branches. The FX translation gains or losses are recorded in the Company's Translation Reserves with a direct impact on the PLC Group and Solo's Common Equity Tier 1 ratio.

Structural FX risk is monitored and managed at PLC Group-level as part of the overall PLC Group foreign exchange exposure.

Liquidity Risk

At Solo and country level we implement various risk appetite metrics and monitor these against limits and management action triggers. This ensures that the Group entities maintain an adequate and well-diversified liquidity buffer as well as a stable funding base, and that they meet their liquidity and funding regulatory requirements.

Interest Rate Risk in the Banking Book

The Group defines Interest Rate Risk in the Banking Book (IRRBB) as the potential for a reduction in future earnings or economic value due to changes in interest rates. This risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Group and its capital adequacy.

Recovery and Resolution Planning

In line with PRA requirements, the PLC Group maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the PLC Group to a stable and sustainable position. The Recovery Plan includes a set of Recovery Indicators, an escalation framework and a set of management actions capable of being implemented in a stress. A Recovery Plan is also maintained within each major entity including those under Solo, and all recovery plans are subject to periodic fire-drill testing. The Group follows the PLC Group's Recovery Plan.

As the UK resolution authority, the Bank of England (BoE) is required to set a preferred resolution strategy for the PLC Group. The BoE's preferred resolution strategy is whole PLC Group single point of entry bail-in at the ultimate holding company level (Standard Chartered PLC) and would be led by the BoE as the PLC Group's home resolution authority. In support of this strategy, the PLC Group has been developing a set of capabilities, arrangements and resources to achieve the following three outcomes, as per the BoE's approach to assessing resolvability published in 2019

- Adequate financial resources in the context of resolution
- Being able to continue to do business through resolution and restructuring
- Being able to co-ordinate and communicate effectively within the PLC Group and with authorities and markets so that resolution and subsequent restructuring are orderly

The PLC Group expects to disclose a summary of its preparations in 2022, alongside a public statement from the BoE on the resolvability of each in-scope firm.

Governance committee oversight
At the Court level, the Court Risk Committee oversees the effective management of Capital and Liquidity Risk. At the executive level, the Standard Chartered Bank & Solo Asset and Liability Management Committee ensures the effective management of risk throughout the Group in support of the Group's strategy, guides the Group's strategy on balance sheet optimisation and ensures that the Group operates within the internally approved Risk Appetite and other internal and external capital and liquidity requirements.

Regional and country oversight under the capital and liquidity framework resides with regional and country Asset and Liability Committees. Regions and countries must ensure that they remain in compliance with the PLC Group capital and liquidity policies and practices, as well as local regulatory requirements.

Decision-making authorities and delegation
The Group Chief Financial Officer has responsibility for capital, funding and liquidity under the Senior Managers Regime. The Group Chief Risk Officer has delegated the Risk Framework Owner responsibilities associated with Capital and Liquidity Risk to the Treasurer. The Treasurer delegates second line oversight and challenge responsibilities to relevant and suitably qualified Treasury and Finance individuals

Monitoring
On a day-to-day basis, the management of Capital and Liquidity Risk at the country level is performed by the Country Chief Executive Officer and Treasury Markets respectively. The Group regularly reports and monitors Capital and Liquidity Risk inherent in its business activities and those that arise from internal and external events. The management of capital and liquidity is monitored by Treasury and Finance with appropriate escalation processes in place.

Internal risk management reports covering the balance sheet and the capital and liquidity position of the Group are presented to the Standard Chartered Bank & Solo Asset and Liability Management Committee. The reports contain key information on balance sheet trends, exposures against Solo Risk Appetite and supporting risk measures which enable members to make informed decisions around the overall management of the Group's balance sheet. Oversight at regional and country level is provided by the regional and country Asset and Liability Committee, with a focus on the local capital and liquidity risks, local prudential requirements and risks that arise from local internal and external events.

In addition, an independent Liquidity Risk Review team as part of Enterprise Risk Management reviews the prudency and effectiveness of liquidity and interest rate risk management. The team focusses on balance sheet structure and strategy, policy development and implementation, risk identification, monitoring and control.

Stress Testing
Stress testing and scenario analysis are an integral part of the capital and liquidity framework and are used to ensure that the PLC Group's internal assessment of capital and liquidity considers the impact of extreme but plausible scenarios on its risk profile. A number of stress scenarios, some designed internally, some required by regulators, are run periodically at PLC Group, Solo and country level. They provide an insight into the potential impact of significant adverse events on the PLC Group and Solo's capital and liquidity position and how this could be mitigated through appropriate management actions to ensure that the PLC Group and Solo remain within the approved Risk Appetite and regulatory limits. Daily liquidity stress scenarios are also run to ensure the PLC Group and Solo hold sufficient high-quality liquid assets to withstand extreme liquidity events. The Group relies on these stress tests to understand the Group-level vulnerabilities given the significant overlap between the Group and PLC Group's capital and liquidity risk.

Operational and Technology Risk

The Group defines Operational and Technology Risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error or from the impact of external events (including legal risks)

Risk Appetite Statement

The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the PLC Group's franchise

Roles and responsibilities

The Company addendum to the Operational Risk Type Framework (ORTF) sets the roles and responsibilities in respect of Operational Risk for the Group, and is owned by the Global Head of Risk, Functions and Operational Risk (GHRFOR). This Framework collectively defines the PLC Group's operational risk sub types which have not been classified as Principal Risk Types (PRTs) and sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and risk sub-types in the ORTF. These risk sub-types relate to execution capability, governance, reporting and obligations, legal enforceability, and operational resilience (including client service, third party vendor services, change management, safety and security and system availability).

The ORTF reinforces clear accountability for managing risk throughout the PLC Group and delegates second line of defence responsibilities to identified subject matter experts. For each risk sub-type, the expert sets policies and standards for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the PLC Group. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the PLC Group's risk-return objectives are met.

Mitigation

The Company addendum to the ORTF sets out the Group's overall approach to the management of Operational Risk in line with the Group's Operational Risk Appetite. This is supported by Risk and Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control and monitoring of risks (applicable to all PRTs and risk sub-types).

The RCSA is used to determine the design strength and reliability of each process, and requires:

- The recording of processes run by client segments, products, and functions into a process universe
- The identification of potential breakdowns to these processes and the related risks of such breakdowns
- An assessment of the impact of the identified risks based on a consistent scale
- The design and monitoring of controls to mitigate prioritised risks

Assessments of residual risk and timely actions for elevated risks. Risks that exceed the Group's Operational Risk Appetite require treatment plans to address underlying causes.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of Operational Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Operational Risk for the Group, monitors the Group's Operational Risk Appetite and relies on other key PLC Group committees for the management of Operational Risk- in particular the PLC Group Non-Financial Risk Committee (GNFRC).

Regional, business-segments and functional committees also provide enterprise oversight of their respective processes and related operational risks. In addition, Country Non-Financial Risk Committees (CNFRCs) oversee the management of Operational Risks at the country (or entity) level. In smaller countries, the responsibilities of the CNFRC may be exercised directly by the Country Risk Committee (for branches) or Executive Risk Committee (for subsidiaries).

Decision-making authorities and delegation

The Company addendum to the ORTF is the formal mechanism through which the delegation of Operational Risk authorities is made. The GHRFOR delegates second line authorities to designated subject matter experts (SMEs) responsible for the risk sub-types through this Company addendum. The SMEs may further delegate their second line responsibilities to designated individuals at a global business, product and function level as well as regional or country level.

Monitoring

To deliver services to clients and to participate in the financial services sector, the Group runs processes which are exposed to Operational Risks. The Group prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the residual risk the Group is exposed to. The residual risk assessments and reporting of events form the Group's Operational Risk profile. The completeness of the Operational Risk profile ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds.

The Court is informed on adherence to Operational Risk Appetite through metrics reported for selected risks. These metrics are monitored, and escalation thresholds are devised based on the materiality and significance of the risk. These Operational Risk Appetite metrics are reported on a regular basis and to the Standard Chartered Bank Executive Risk Committee and Court Risk Committee. This provides senior management with the relevant information to inform their risk decisions.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for Operational Risks. This approach considers the impact of extreme but plausible scenarios on the PLC Group's Operational Risk profile. A number of scenarios have been identified to test the robustness of the PLC Group's processes and assess the potential impact on the PLC Group. These scenarios include anti-money laundering, sanctions, as well as information and cyber security. The Group relies on these stress tests to understand the Group-level vulnerabilities given the significant overlap between the Group and PLC Group operational risk profile.

Information and Cyber Security Risk

The Group defines Information and Cyber Security Risk as the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems

Risk Appetite Statement

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 Group

Roles and responsibilities

The Company addendum to the PLC Group's Information and Cyber Security Risk Type Framework (ICS RTF) defines the roles and responsibilities of the first and second lines of defence in managing and governing ICS Risk respectively across the Group with emphasis on business ownership and individual accountability.

The Group Chief Operating Officer has overall first line of defence responsibility for ICS Risk and holds accountability for the Group's ICS strategy. The Group Chief Information Security Officer (CISO), leads the development and execution of the ICS strategy.

The Group Chief Information Security Risk Officer (CISRO) function within Group Risk, led by the Group CISRO, operates as the second line of defence and sets the strategy and methodology for assessing, scoring and prioritising ICS risks across the Group. This function has overall responsibility for governance, oversight and independent challenge of ICS Risk.

Mitigation

The Group applies the PLC Group policies for the management of ICS Risk.

ICS Risk is managed through a structured ICS Risk framework comprising a risk assessment methodology and supporting policy, standards and methodologies which are aligned to industry best practice models.

In 2020, to ensure ICS risk management principles prioritise the adverse impact of cyber threat and vulnerability information on Confidentiality, Integrity and Availability of Information Assets and Systems across the Group, the ICS RTF was uplifted to include a threat led risk assessment methodology.

The Group CISRO function monitors compliance to the ICS framework through the review of the ICS risk assessments conducted by Group CISO. All key ICS risks, breaches and weaknesses are reviewed and approved by Group CISRO prior to the execution of mitigating actions.

The Group CISO function performs ICS risk assessment to determine the ICS risk posture across the Group with reporting to key Group governance committees. Key ICS risks, breaches or weaknesses identified are documented, reviewed and approved by Group CISRO with mitigation activities monitored for completion with statuses reported to the relevant Group governance committees.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of ICS Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of ICS Risk for the Group, and relies on other key PLC Group committees for the effective implementation of the ICS RTF – in particular the PLC Group Non-Financial Risk Committee (GNFRC).

The Standard Chartered Bank Executive Risk Committee and the GNFRC are responsible for oversight of ICS Risk posture and Risk appetite breaches rated very high and high. Sub-committees of the GNFRC have oversight of ICS Risk management arising from business, country and functional areas.

Decision-making authorities and delegation
The Company addendum to the ICS RTF is the formal mechanism through which the delegation of ICS Risk authorities is made. The Group Chief Risk Officer (GCRO) has delegated the ICS Risk Framework Owner authority to the Group CISRO. The Group CISRO has, where appropriate, delegated second line authority to Information Security Risk Officers (ISRO) to assume the responsibilities for approval for business, functions, and countries.

Group CISO, supported by the Heads of ICS, presents the proposed ICS Risk ratings to Group CISRO for review and sign-off

Information Asset Owners, Information System Owners and process owners are responsible for the identification, creation and implementation of processes as required to comply with the ICS RTF.

Approval of ICS Risk ratings follows an approval matrix defined by the ICS RTF where the GCRO and Group CISRO sign off very high and high risks respectively.

Monitoring
The ICS Risk assessment is in transition in 2020 to a threat-focused risk assessment. The risk assessment is performed by Group CISO to identify key ICS risks, breaches and weaknesses, and to ascertain the severity of the risk posture. The risk postures of all businesses, functions and countries are consolidated to present a holistic Group-level ICS risk posture for ongoing ICS risk monitoring.

During these reviews, the status of each risk is assessed to identify any changes to materiality, impact and likelihood, which in turn affect the overall ICS risk score and rating. Risks which exceed defined thresholds are reviewed with Group CISRO for approval and escalated to appropriate Group governance committees.

Monitoring and reporting on the ICS Risk Appetite profile ensures that performance which falls outside the approved Risk Appetite is highlighted and reviewed at the appropriate governance committee or authority levels and ensures that adequate remediation actions are in place where necessary.

Stress Testing
Group CISRO determines ICS Risk controls to be subjected to scenario-based stress testing (i.e. cyber resilience red team testing) and sensitivity analysis, which is aimed to either ensure robustness of control and the ability to respond should a control fail. The PLC Group's cyber resilience testing approach entails:

- Group CISRO oversees all ICS risk-related stress testing the PLC Group carries out to meet regulatory requirements, including covert testing
- Incident scenarios affecting information assets and systems are periodically tested to assess the incident management capability in the PLC Group
- Purple team, penetration testing and vulnerability scanning are performed by Group CISO against the PLC Group's internet-facing services and critical information assets/systems

The Group relies on these stress tests to understand the Group-level vulnerabilities given the significant overlap between the Group and PLC Group ICS risk profile.

Compliance Risk
The Group defines Compliance Risk as the potential for penalties or loss to the Group, or for an adverse impact to our clients, stakeholders or to the integrity of the markets in which we operate through a failure on our part to comply with laws or regulations

Risk Appetite Statement
The Group has no appetite for breaches in laws and regulations; recognising that regulatory non-compliance cannot be entirely avoided, the Group strives to reduce this to an absolute minimum

Roles and responsibilities
The Group Head, Corporate Affairs, Brand & Marketing and Conduct, Financial Crime and Compliance (Group Head, CABM & CFCC) as Risk Framework Owner for Compliance Risk provides support to senior management on regulatory and compliance matters.

The Company addendum to the Compliance Risk Type Framework (Compliance RTF) sets out the Group's overall approach to the management of Compliance Risk and the roles and responsibilities in respect of Compliance Risk for the Group. All activities that the Group engages in must be designed to comply with the applicable laws and regulations in the countries in which we operate. The CFCC function is the second line that provides oversight and challenge of the first line risk management activities that relate to Compliance Risk.

Where Compliance Risk arises, or could arise, from failure to manage another principal risk or risk sub-type, the Compliance RTF outlines that the responsibility rests with the respective Risk Framework Owner or control function to ensure that effective oversight and challenge of the first line can be provided by the appropriate second line function.

Each of the assigned second line functions has responsibilities including monitoring relevant regulatory developments from Non-Financial Services regulators at both Group and country levels, policy development, implementation, and validation as well as oversight and challenge of first line processes and controls.

In addition, the Compliance RTF has been enhanced in 2020 via risk appetite metrics that enable greater oversight of implementation of country-level regulatory requirements, and by bringing together all data management risks including transition of Data Quality from the Operational Risk Type Framework.

Mitigation

We apply the PLC Group's policies for management of Compliance Risk. The CFCC function develops and deploys relevant policies and standards setting out requirements and controls for adherence by the PLC Group to ensure continued compliance with applicable laws and regulations. Through a combination of risk assessment, control standard setting, control monitoring and assurance activities, the Compliance Risk Framework Owner seeks to ensure that all policies are operating as expected to mitigate the risk that they cover. The installation of appropriate processes and controls is the primary tool for the mitigation of Compliance Risk. In this, the requirements of the Operational Risk Type Framework are followed to ensure a consistent approach to the management of processes and controls. Deployment of technological solutions to improve efficiencies and simplify processes has continued in 2020. These include further expansion of digital chatbots and a tool to track non-financial regulatory reporting.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of Compliance Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Compliance Risk for the Group, and relies on other PLC Group committees for the management of Compliance Risk – in particular the PLC Group Non-Financial Risk Committee and the Conduct, Financial Crime and Compliance Non-Financial Risk Committee. Compliance Risk and the risk of non-compliance with laws and regulations resulting from failed processes and controls are overseen by Business, Product and Function Non-Financial Risk Committees. Within each country, oversight of Compliance Risk is delegated through the Country Non-Financial Risk Committee.

Decision-making authorities and delegation

The Company addendum to the Compliance Risk Type Framework is the formal mechanism through which the delegation of Compliance Risk authorities is made. The Group Head, CABM & CFCC has the authority to delegate second line responsibilities within the CFCC function to relevant and suitably qualified individuals.

Monitoring

The monitoring of controls designed to mitigate the risk of regulatory non-compliance in processes are governed in line with the Operational Risk Type Framework. The Group has a monitoring and reporting process in place for Compliance Risk, which includes escalation and reporting to the Standard Chartered Bank Executive Risk Committee and the Court Audit Committee, as appropriate.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for Compliance Risk and form part of the overall scenario analysis portfolio managed under the Operational Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the CFCC function, which is second line to incorporate significant Compliance Risk tail events. This approach considers the impact of extreme but plausible scenarios on the PLC Group's Compliance Risk profile. The Group relies on these stress tests to anticipate the Group-level vulnerabilities given the significant overlap between Group and PLC Group activities.

Financial Crime Risk

The Group defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption, and fraud

Risk Appetite Statement

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

Roles and responsibilities

The Company addendum to the Financial Crime Risk Type Framework sets out the Group's overall approach to the management of Financial Crime Risk and the roles and responsibilities in respect of Financial Crime Risk for the Group. The Group Head, CABM & CFCC has overall responsibility for Financial Crime Risk and is responsible for the establishment and maintenance of effective systems and controls to meet legal and regulatory obligations in respect of Financial Crime Risk. The Group Head, CABM & CFCC is the Group's Compliance and Money-Laundering Reporting Officer and performs the Financial Conduct Authority (FCA) controlled function and senior management function in accordance with the requirements set out by the FCA, including those set out in their handbook on systems and controls. As the first line, the business unit process owners have responsibility for the application of policy controls and the identification and measurement of risks relating to financial crime. Business units must communicate risks and any policy non-compliance to the second line for review and approval following the model for delegation of authority.

Mitigation

We apply the four PLC Group policies in support of the Financial Crime Risk Type Framework.

- Group Anti-Bribery and Corruption Policy
- Group Anti-Money Laundering and Counter Terrorist Financing Policy
- Group Sanctions Policy
- Group Fraud Risk Management Policy

The PLC Group operates risk-based assessments and controls in support of its Financial Crime Risk programme, including (but not limited to):

- PLC Group Risk Assessment – the PLC Group monitors enterprise-wide Financial Crime Risks through the CFCC Risk Assessment process consisting of Financial Crime Risk and Compliance Risk assessments. The Financial Crime risk assessment is a PLC Group-wide risk assessment undertaken annually to assess the inherent Financial Crime risk exposures, the associated processes and controls by which these exposures are mitigated
- Financial Crime Surveillance – risk-based systems and processes to prevent and detect financial crime

The strength of controls is tested and assessed through the PLC Group's ORTF, in addition to oversight by CFCC Assurance and Group Internal Audit.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of Financial Crime Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Financial Crime Risk for the Group, and relies on other PLC Group committees for management of Financial Crime Risk – in particular the PLC Group Financial Crime Risk Committee; and the PLC Group Non-Financial Risk Committee for Fraud Risk. Both committees are responsible for ensuring the effective management of Operational Risk relating to Financial Crime Risk and Fraud Risk compliance throughout the PLC Group.

Decision-making authorities and delegation

The Company addendum to the Financial Crime Risk Type Framework is the formal mechanism through which the delegation of Financial Crime Risk authorities is made. The Group Head, CABM & CFCC is the Risk Framework Owner for Financial Crime Risk under the Group's Risk Management Framework. Certain aspects of Financial Crime Compliance, second line oversight and challenge, are further delegated within the CFCC function. Approval frameworks are in place to allow for risk-based decisions on client on-boarding, potential breaches of sanctions regulation or policy, and situations of potential money laundering (and terrorist financing), bribery and corruption or internal and external fraud.

Monitoring

The Group monitors Financial Crime Risk compliance against a set of Risk Appetite metrics that are approved by the Court. These metrics are reviewed periodically and reported regularly to the Standard Chartered Executive Risk Committee and Court Risk Committee.

Stress testing

The assessment of Financial Crime vulnerabilities under stressed conditions or extreme events with a low likelihood of occurring is carried out through enterprise stress testing conducted at PLC Group level. The Group relies on these stress tests to understand the Group level vulnerabilities given the significant overlap between the Group and PLC Group activities.

Model Risk

The Group defines Model risk as potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation, or use of such models

Risk Appetite Statement

The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, whilst accepting model uncertainty

Roles and responsibilities

The PLC Group's Model Risk Type Framework sets out clear accountability and roles for Model Risk Management through three lines of defence. The Global Head, Enterprise Risk Management is the Risk Framework Owner for Model Risk under the Group's Risk Management Framework.

First line ownership of Model Risk resides with Model Sponsors, who are the business or function heads and assign a Model Owner for each model. Model Owners represent model users and are responsible for end-to-end model development, ensuring model performance through regular model monitoring and communicating model limitations, assumptions and risks. Model Owners also coordinate the submission of models for validation and approval and ensure appropriate model implementation and use. Second line oversight is provided by Model Risk Management, which is comprised of Group Model Validation and Model Risk Policy and Governance.

Group Model Validation independently review and grade models, in line with design objectives, business uses and compliance requirements, and highlight identified model risks. Model Risk Policy and Governance team provide oversight of Model Risk, performing regular Model Risk Assessment and risk profile reporting to senior management.

Mitigation

We apply the PLC Group policies for Model Risk Management. The Model Risk policy and standards define requirements for model development and validation activities, including regular model performance monitoring. Any model issues or deficiencies identified through the validation process are mitigated through the application of model overlays and/or a model redevelopment plan, which undergo robust review, challenge and approval. Operational controls govern all Model Risk-related processes, with regular risk assessments performed to assess appropriateness and effectiveness of those controls, in line with the Operational Risk Type Framework, with remediation plans implemented where necessary.

Governance committee oversight

At the Court level, the Court Risk Committee exercises oversight of Model Risk within the Group. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Model Risk for the Group, and relies on other key PLC Group committees to ensure effective measurement and management of Model Risk – in particular the Model Risk Committee. Sub-committees such as the Credit Model Assessment Committee and Traded Risk Model Assessment Committee oversee their respective in-scope models and escalate material model risks to the Model Risk Committee. In parallel, business and function-level risk committees provide governance oversight of the models used in their respective processes.

Decision-making authorities and delegation

The Model Risk Type Framework is the formal mechanism through which the delegation of Model Risk authorities is made for the PLC Group. The Model Risk Committee is responsible for approving models for use. Model approval authority is also delegated to the Credit Model Assessment Committee, Traded Risk Model Assessment Committee and individual model approvers for less material models.

Monitoring

Model risk is currently monitored at the PLC Group level via a set of Risk Appetite metrics that are approved by the PLC Board. Adherence to Model Risk appetite and any threshold breaches are reported regularly to the PLC Board Risk Committee and Model Risk Committee.

Models undergo regular monitoring based on their level of perceived model risk, with monitoring results and breaches presented to Model Risk Management and delegated model approvers.

Model Risk Management produces Model Risk reports covering the model landscape, which include performance metrics, identified issues and remediation plans. These are presented for discussion at the Model Risk governance committees on a regular basis.

Stress testing

Models play an integral role in the PLC Group's stress testing and are rigorously validated to ensure they are fit-for-purpose for use under stressed market conditions. Compliance with Model Risk management requirements and regulatory guidelines are also assessed as part of each stress test, with any identified gaps mitigated through model overlays and defined remediation plans.

Reputational & Sustainability Risk

The Group defines Reputational and Sustainability Risk as the potential for damage to the franchise, (such as loss of trust, earnings or market capitalisation) because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions – including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client and third-party relationships or our own operations.

Risk Appetite Statement

The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight

Over the past 20 years, Sustainability has grown in importance from a corporate social responsibility to become embedded within the PLC Group's business model and as such, the sustainability-related risks of Environmental, Social and Governance (ESG) have been elevated within the PLC Group's Reputational & Sustainability Risk Type Framework. We recognise that there are many facets to Sustainability Risk; however, the primary focus of the Group's approach will be on Environmental and Social risk management to ensure that we uphold the principles of Responsible Business Conduct and continue to do the right thing for our stakeholders, the environment and affected communities.

Roles and responsibilities

The Company addendum to the Reputational and Sustainability Risk Type Framework sets out the Group's overall approach to the management of Reputational and Sustainability Risk and the roles and responsibilities in respect of Reputational and Sustainability Risk for the Group. The Global Head, Enterprise Risk Management is the Risk Framework Owner for Reputational and Sustainability Risk under the Group's Risk Management Framework.

The responsibility of Reputational and Sustainability Risk management is delegated to Reputational Risk Leads in ERM as well as Chief Risk Officers at region, country and client-business levels. They constitute the second line of defence, overseeing and challenging the first line of defence which resides with the Chief Executive Officers, Business Heads, Product Heads and Function Heads in respect of risk management activities of reputational and sustainability-related risks respectively. The Environmental and Social Risk Management team (ESRM), which is in the first line of defence, also provides dedicated support on the management of Environmental and Social risks and impacts arising from the Group's client relationships and transactions.

Mitigation

In line with the principles of Responsible Business Conduct and Do No Significant Harm, the Group deems Reputational and Sustainability Risk to be driven by

- negative shifts in stakeholder perceptions due to decisions related to clients, products, transactions, third parties and strategic overage;
- potential material harm or degradation to the natural environment (environmental) through actions/inactions of the Group
- potential material harm to individuals or communities (social) risks through actions/inactions of the Group

We apply the PLC Group's policies for management of Reputational and Sustainability Risk. The PLC Group's Reputational Risk policy sets out the principal sources of Reputational Risk driven by negative shifts in stakeholder perceptions as well as responsibilities, control and oversight standards for identifying, assessing, escalating and effectively managing Reputational Risk. The PLC Group takes a structured approach to the assessment of risks associated with how individual client, transaction, product and strategic coverage decisions may affect perceptions of the organisation and its activities, based on explicit principles including, but not limited to gambling, defence and dual use goods. Whenever potential for stakeholder concerns is identified, issues are subject to prior approval by a management authority commensurate with the materiality of matters being considered. Such authorities may accept or decline the risk or impose conditions upon proposals, to protect the PLC Group's reputation.

The PLC Group's Sustainability Risk policy sets out the requirements and responsibilities for managing environmental and social risks for the PLC Group's operations, clients and third parties, as guided by various industry standards such as the OECD's Due Diligence Guidance for Responsible Business Conduct, Equator Principles, UN Sustainable Development Goals and the Paris Agreement.

Through our operations, the PLC Group seeks to minimise its impact on the environment and have targets to reduce energy, water and waste. Clients are expected to adhere to minimum regulatory and compliance requirements, including criteria from the PLC Group's Position Statements. Suppliers must comply with the PLC Group's Supplier Charter which sets out the PLC Group's expectations on ethics, anti-bribery and corruption, human rights, environmental, health and safety standards, labour and protection of the environment.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of Reputational and Sustainability Risk. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Reputational and Sustainability Risk for the Group, and relies on other key PLC Group committees for the management of Reputational and Sustainability Risk – in particular the PLC Group Responsibility and Reputational Risk Committee (GRRRC), the Sustainable Finance Governance Committee and the PLC Group Non-Financial Risk Committee.

Decision-making authorities and delegation

The Company addendum to the PLC Group's Reputational & Sustainability RTF is the formal mechanism through which the delegation of Reputational & Sustainability Risk authorities is made for the Group. The Global Head, Enterprise Risk Management delegates risk acceptance authorities for stakeholder perception risks to designated individuals in the first line and second line or to Committees such as the GRRRC via risk authority matrices.

These risk authority matrices are tiered at country, regional, business segment or Group levels and are established for risks incurred in strategic coverage, clients, products or transactions. For Environmental and Social Risks, the ESRM must review and support the risk assessments for clients and transactions and escalate to the Reputational Risk leads as required. Risk authorities will be enhanced through 2021 as Sustainability risk is embedded throughout the Group.

Monitoring

Reputational and Sustainability Risk policies and standards are applicable to all PLC Group entities. However, local regulators in some markets may impose additional requirements on how banks manage and track Reputational and Sustainability Risk. In such cases, these are complied with in addition to PLC Group policies and standards.

Exposure to stakeholder perception risks arising from transactions, clients, products and strategic coverage are monitored through established triggers outlined in Risk materiality matrices to prompt the right levels of risk-based consideration by First Line and escalations to Second Line where necessary. Risk acceptance decisions and thematic trends are also being reviewed on a periodic basis.

Exposure to Sustainability Risk is monitored through triggers embedded within the first-line processes where environmental and social risks are considered for clients and transactions via the Environmental and Social Risk Assessments; and considered for vendors in our supply chain through the Modern Slavery questionnaires.

Stress testing

Reputational Risk outcomes are taken into account in enterprise stress tests, and incorporated into the PLC Group's stress testing scenarios. For example, the PLC Group might consider what impact a hypothetical event leading to loss of confidence among liquidity providers in a particular market might have, or what the implications might be for supporting part of the organisation in order to protect the brand.

Climate Risk – Material Cross cutting risk

The Group currently recognises Climate Risk as a material cross-cutting risk. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it.

Risk Appetite Statement

The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement

Climate Risk has been recognised by the PLC Group as an emerging risk since 2017 and was elevated to a material cross cutting risk in 2019. The PLC Group is in the process of integrating Climate Risk into mainstream risk management in alignment with the Bank of England's Supervisory Statement 3/19 requirements. The PLC Group has a climate risk workplan with defined milestones for 2021 and are making good progress. However, it is still a relatively nascent risk area which will mature and stabilise over the years to come. We will rely on the PLC Group's workplan and integrate climate risk into the Group's risk management approach accordingly.

Roles and responsibilities

The three lines of defence model as per the Group's Risk Management Framework applies to Climate Risk. The Group Chief Risk Officer (GCRO) has the ultimate second line and Senior Management Responsibility for Climate Risk. The GCRO is supported by the Global Head, Enterprise Risk Management who has day-to-day oversight and central responsibility for second line climate risk activities. As climate risk is integrated into the relevant Principal Risk Types (PRTs), second line responsibilities between the Risk Framework Owner (at Group, regional and country level) and the central climate risk team will be shared.

Mitigation

As a material cross-cutting risk manifests through other PRTs, risk mitigation activities are specific to individual PRTs. Centrally, a cross-cutting standard is being put in place to capture practices across various PRTs. Within each individual PRT, relevant PLC Group framework, policy and standards are being updated as per the climate risk workplan. As an example, for operational risk in PLC Group's own operations, the checklist for new property acquisition has been updated to include physical risk rating. We will adopt these changes across PRTs via the Company addenda to the PLC Group risk type frameworks.

Governance committee oversight

At the Court level, the Court Risk Committee oversees the effective management of climate risk across relevant PRTs. At the executive level, the Standard Chartered Bank Executive Risk Committee is responsible for the governance and oversight of Climate Risk across relevant PRTs for the Group, and relies on other key PLC Group committees and forums for the management of climate risk – in particular the Climate Risk Management Forum which meets quarterly to discuss development and implementation of the Climate Risk workplan, and to provide structured governance around engagement with the relevant PRTs impacted by climate risk.

Tools and methodologies
Applying existing risk management tools to quantify Climate Risk is challenging given inherent data and methodology challenges, including the need to be forward looking over long time horizons. To leverage expertise from various areas, PLC Group has invested into a number of tools and partnerships:

1. Munich Re – we are using Munich Re's physical risk assessment tool, which is built on extensive re-insurance experience
2. Baringa Partners – we are using Baringa's flagship climate models to understand climate scenarios, compute transition risk and temperature alignment
3. Standard and Poor – we are leveraging S&P and Trucost's wealth of climate data covering asset locations, energy mixes and emissions
4. Imperial College – we are leveraging Imperial's academic expertise to advance our understanding of climate science, upskill our staff and senior management, and progress the state of independent research on climate risks with an acute focus on emerging markets

Decision-making authorities and delegation
The Global Head, Enterprise Risk Management is supported by a centralised Climate Risk team within the ERM function. The Global Head, Risk Governance and Enterprise Risks and the Head of Climate Risk are responsible for ensuring and executing the delivery of the Climate Risk workplan which will define decision making authorities and delegations across the PLC Group. The delegation of decision-making authorities for the Group will be made via the Company addenda to the relevant PLC Group risk type frameworks.

Monitoring
The Climate Risk Appetite Statement was approved and will be reviewed annually by the Court. We will adopt the relevant PLC Group Risk Appetite metrics for the Group in accordance with the PLC Group's workplan. In 2020 the PLC Group began initial management reporting on prioritised climate risk metrics and this will be further strengthened over 2021 with the development of risk categories and an authority matrix. Strategic Risk Appetite reporting will begin in 2022.

Stress testing
Climate risk intensifies over time and future global temperature rises depend on today's transition pathway. Considering different transition scenarios is crucial to assessing climate risk over the next 10, 20 and 50 years. Stress testing and scenario analysis are used to assess capital requirements for climate risk and in 2020 physical and transition risks were included in the PLC Group Internal Capital Adequacy Assessment Process (ICAAP). In 2021 the PLC Group will undertake a number of climate risk stress tests, including by the Bank of England and the Hong Kong Monetary Authority. This will help us develop our understanding and management of climate risk. We will rely on these stress tests to understand the Group level vulnerabilities given the significant overlap between the Group and PLC Group's activities.

Details on the PLC Group's Task Force for Climate-related Financial Disclosures can be found on sc.com/tcfd

Emerging Risks

In addition to our Principal Risk Types that we manage in line with the PLC Group Risk Type Frameworks, policies and the Court approved Risk Appetite, we also maintain an inventory of emerging risks. Emerging risks refer to unpredictable and uncontrollable events which may have the potential to materially impact our business. These include near-term risks that are on the horizon and can be measured or mitigated to some extent, as well as longer-term uncertainties that are on the radar but not yet fully measurable.

Our list of emerging risks, based on our current knowledge and assumptions, is set out below, with our subjective assessment of their impact, likelihood and velocity of change. This reflects the latest internal assessment of material risks that the Group faces as identified by senior management. This list is not designed to be exhaustive and there may be additional risks which could materialise or have an adverse effect on the Group.

Our mitigation approach for these risks may not be successful in completely eliminating them, but rather shows the Group's attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate incremental steps based on the materiality of the impact of the risk to the operations of the Group:

Geopolitical considerations (Risk ranked according to severity)

Emerging Risk	Context	How these are mitigated/next steps
US China trade tensions driven by geopolitics and trade imbalance Potential impact: High Likelihood: High Velocity of change: Fast	• Since the beginning of 2020, US-China tensions have evolved into broad-based differences between China, US and its allies as well as some other Asian countries. Areas of tensions include: – Vietnam, the Philippines, Brunei, Malaysia, Taiwan, Australia and the US rejection of China's maritime claims in the South China Sea. Taiwan's status continues to remain a point of contention. Increasingly frequent military exercises in the disputed waters have resulted in escalating tensions – China's military border clash with India resulted in the rise of nationalism in India. The Government of India has banned Chinese apps in India including TikTok and WeChat – After the implementation of the National Security Law in Hong Kong, the US revoked Hong Kong's Special Status in US laws and imposed sanctions on individual officials. The UK and Australia relaxed immigration rules for Hong Kong residents while the US and Canada started granting refugee status to eligible Hong Kong residents – The US is increasing restrictions on Chinese technology companies with various US sanctions lists and Executive Orders restricting US entities' dealing with specific Chinese entities. China's retaliatory measure of its own "unreliable entity list" raises uncertainty for foreign businesses • China is a key network income generator for the Group. Opportunities from China's opening-up remain pivotal to the Group strategy	• A sharp slowdown in US-China and, more broadly, world trade and global growth is a feature of the PLC Group, Solo and country level stress scenarios. The Group relies on these stress tests to assess Group level key vulnerabilities and to be able to implement timely interventions • Detailed portfolio reviews are conducted at a PLC Group, country and business level on an ongoing basis and action is taken where necessary • We monitor and assess geopolitical events and act as appropriate to ensure that we minimise the impact to the Group and our clients • There is continuous monitoring at a country, regional and Group level to identify emerging risks and evaluate their management • Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions requirements

Emerging Risk	Context	How these are mitigated/next steps
Middle East geopolitical tensions Potential impact: High Likelihood: Medium Velocity of change: Moderate	• The emergence of COVID-19 in 2020 may have contributed to reduced security incidents in the Middle East relative to 2019 as governments focused on safeguarding their populations and mitigating the impact of COVID-19 on their economies • Nevertheless, the underlying destabilising factors remain. The Middle East and North Africa (MENA) region faces multiple challenges including : – Young populations with high unemployment and widespread religious and sectarian tension – Low oil prices. The collapse of oil prices in March 2020 hit the MENA region hard with a significant negative impact to fiscal and current account balances. The various currency pegs to the US Dollar do not appear under threat as yet but this risk could rise if low oil prices persist and the economic downturn becomes protracted • The US remains an important factor in MENA as evidenced by the recently announced normalisation of relations between Israel, UAE and Bahrain. US foreign policy changes following the November 2020 elections could impact the balance of power in the region. Potentially, the US's approach to issues such as the Joint Comprehensive Plan of Action in relation to Iran could change significantly. In addition, the growing economic linkages between MENA and China could impact the nature of the US's support to the region in light of the current trade disputes between the US and China • Fundamental tensions remain between Iran and Saudi Arabia/ UAE with little prospect for short to medium term resolution • The tensions related to the boycott of Qatar by the Arab quartet (Saudi Arabia, UAE, Bahrain and Egypt) have dissipated to some extent but are still to be completely resolved and represent an ongoing hindrance to the unity of the Gulf Cooperation Council The Group has a material presence across the region	• The Group monitors developments at regional and country level to detect adverse horizon risks • The direct impact on our MENA portfolio to date has been limited but the unstable backdrop and uncertain outlook inevitably impact confidence and economic prospects for the region • The Group's Risk Appetite as well as the Underwriting Standards across the region have been amended considering the economic downturn
Rise of populism and nationalism driven by unemployment and a shift in global supply chains Potential impact: Low Likelihood: Low Velocity of change: Steady	• The rising gap between winners and losers of globalisation is the main driver for the rise of populism and nationalism, especially apparent in the aftermath of the Global Financial Crisis • COVID-19 provides an opportunity for populist leaders to utilise extended state powers in ways that may undermine the rule of law and democracy and result in more autocratic behaviour • Populist and nationalist parties have created conflict and instability, leading to increases in ethnic, ideological, religious and increasingly military conflict • There is no clear trend that would suggest a rise of populism and nationalism on a global scale, but instead pockets in certain countries and regions. For example, Jair Bolsonaro has been in office since January 2019 and Benjamin Netanyahu was re-elected in 2019. In defeat Donald Trump received the second-highest number of votes in US history during the November 2020 presidential elections • The approach taken by the new administration in the US to addressing unemployment and socio-economic challenges will be a significant factor	• We monitor and assess geopolitical events and act as appropriate to ensure that we minimise the impact to the Group and our clients • There is continuous monitoring of emerging risks at a country, regional and PLC Group level

Macroeconomic considerations (Risk ranked according to severity)

Emerging Risk	Context	How these are mitigated/next steps
The COVID-19 outbreak and the emergence of new diseases Potential impact: High Likelihood: High Velocity of change: Moderate	• Governments around the world have taken financial measures to offset the damaging economic impacts of the virus and physical measures to contain its spread, including $11 trillion in fiscal support and international and domestic travel restrictions. Nonetheless, the impact of the pandemic has been severe, leading to increased volatility in financial markets and commodity prices and major economic downturns in many countries. The financial market volatility and economic downturn is greater than that experienced in the Global Financial Crisis • With multiple waves of COVID-19 undermining efforts to return to normal, business, consumer and investor confidence has been affected and most countries' gross domestic product is well below pre-pandemic levels. At the same time, the International Monetary Fund has estimated that global public debt will reach a record high of approximately 100 per cent of Gross Domestic Product before the end of 2020, as the global economy struggles to bounce back from the COVID-19 crisis, leaving little scope for additional monetary policy stimulus • Although global output is expected to recover to pre-COVID-19 levels by the end of 2021, the previous growth path will not be achieved for many years and there is a risk of further disruption, economic downturn and financial market volatility in the interim • COVID-19 has resulted in more than a health crisis. It has become a human, economic and social crisis which may result in increased uncertainty and new risks • There has been significant recent progress with regard to treatment and potential vaccinations for COVID-19. A number of pharmaceutical companies have announced the delivery of various vaccines candidates with more expected. The uneven vaccine rollout could cause recoveries in Emerging Markets to lag • There is risk other diseases may emerge	• The Group's priority remains the health and safety of our clients and employees and the continuation of normal operations by leveraging our robust Business Continuity Plans which include enabling the vast majority of our colleagues to work remotely where possible • To support our clients the Group has enacted comprehensive support schemes for retail and corporate customers, including loan and interest repayment holidays, covenant relief, fee waivers or cancellations, loan extensions and new facilities • The Group relies on stress tests and portfolio reviews conducted at a PLC Group, country and business level to assess the impact of a severe stress in the global economy associated with a sharp slowdown. Exposures that could result in material credit impairment charges and risk-weighted assets inflation under stress tests are regularly reviewed and actively managed
Unintended consequences of accommodative monetary policy and the risk of asset bubbles and inflation Potential impact: Medium Likelihood: High Velocity of change: Steady	• In response to the economic outcome of the COVID-19 outbreak central banks have significantly expanded their balance sheets to record levels • There is a risk that long-term low or negative interest rates may drive searches for improved yield which could result in a rapid escalation in asset values not aligned to fundamentals • Another key concern is that accommodative policies may result in persistent inflation risks. In the short term this risk is mitigated by weak demand and high unemployment. The current challenge and focus for most fiscal and monetary authorities are to restore demand • Beyond the near-term, there are concerns about the permanent loss of spare capacity, especially in more developed markets. This could mean that potential output in many economies is lower, and competition is weaker. A small amount of recovery in demand would mean that inflation is a more material risk. It is not clear that central banks will have the tools to remove policy accommodation without causing other risks	• There is regular and continuous portfolio monitoring at a country, regional and PLC Group level to identify and assess emerging risks • Client exposures and risk weighted assets identified as being at risk of impairment are monitored and reviewed on a regular basis and actively managed

Emerging Risk	Context	How these are mitigated/next steps
Rising sovereign default risk and private sector creditor participation in the Common Framework Agreement Potential impact: High Likelihood: Medium Velocity of change: Moderate	• COVID-19 has exacerbated already deteriorating market conditions causing liquidity and potentially solvency issues for a number of the world's poorest countries. This may make it difficult for some countries to service their debts in the coming 12 to 18 months, including increased debt that has been taken on to limit the economic damage from the global pandemic • There have been 6 sovereign defaults in 2020 including 2 countries in which the Group operates • The original Debt Service Suspension Initiative (DSSI) called upon private sector creditors to participate and this has been re-emphasised in the CFA beyond the DSSI. The G20 agreed to allow 73 of the world's poorest countries to postpone this year's official bilateral debt repayments until June 2021 with subsequent payments spread over 6 years. In 2020, 46 countries have applied for debt suspensions through the initiative, to delay about $5 billion of payments this year – less than half of the $11.5 billion available, according to the World Bank. The suspensions apply only to bilateral lending arrangements; none of the countries has requested comparable relief from bondholders out of concern that such a move would have on their ability to access international capital markets in the future • Ghana has criticised western nations for neglecting the mounting crisis in Africa while finding trillions of dollars to stimulate their own economies and the UN is co-ordinating an appeal by African finance ministers for $100 billion a year for the next three years to support COVID-afflicted economies on the continent • Unless progress is made many developing economies will struggle to service or refinance their existing debt in the coming 12 to 18 months	• Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and actively managed • We rely on stress tests and portfolio reviews conducted at a PLC Group, country and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly • We actively utilise Credit Risk mitigation techniques including credit insurance and collateral • We actively track the participation of our footprint countries in the CFA and the associated exposure

Environmental and social considerations

Emerging Risk	Context	How these are mitigated/next steps
Social unrest driven by economic downturns, water crises, medical provision and food security Potential impact: High Likelihood: Medium Velocity of change: Moderate	• 2019 and 2020 saw a surge in protests globally and the risk is these will increase in 2021, with greater severity and frequency, as economic performance, constrained health systems and food shortages become more significant factors • Societies and economies are deeply dependent on water. Energy, food, transportation and nature all rely on a limited supply of clean water. Climate change, unsustainable agricultural practices, poorly planned infrastructure and pollution all threaten the availability of this resource which is increasing the risk of social unrest as a result • Global food prices jumped in 2008 and again in 2011–2012 leading to street and food riots in more than 50 countries, contributing to the overthrow of governments in Haiti and Madagascar, for example, and igniting the Arab spring • Recurring COVID-19 outbreaks are disrupting economies, food systems and supply chains, including medical and goods supply globally. New normals have imposed a change in consumption habits	• There is continuous monitoring at a country, regional and PLC Group level to identify emerging and horizon risks and evaluate their management • Detailed reviews are conducted on an ongoing basis of exposures that may result in significant credit impairment

Legal considerations

Emerging Risk	Context	How these are mitigated/next steps
Interbank Offered Rate (IBOR) discontinuation and transition Potential impact: High Likelihood: High Velocity of change: Moderate	• In 2017, the UK Financial Conduct Authority announced that it had reached an agreement with LIBOR panel banks to contribute to LIBOR until the end of 2021, after which there would be a transition from IBORs to Risk Free Rates (RFRs) • Transition from LIBOR to RFRs presents several risks: (i) there are fundamental differences between LIBOR and RFRs and value transfer may arise in transitioning contracts from one to the other; (ii) the market will transition at different paces in different regions and across different products, presenting various sources of basis risk and posing major challenges to hedging strategies; (iii) clients may not be treated fairly throughout the transition, or may not be aware of the options available to them and the implications of decisions taken, which may result in unfair financial detriment, (iv) legal risk in relation to the fall-back risks associated with the transition, (v) changes in processes, systems and vendor arrangements associated with the transition may not be within appropriate tolerance levels, and (vi) Accounting and Financial Reporting risk in that the changes in underlying rates, such as on cashflows and valuations, may not be incorporated correctly • The lack of liquidity in some of the RFR markets, particularly the Secured Overnight Financing Rate, may present challenges to the transition until resolved, as will the different transition timelines for the five LIBOR currencies • Complexity in managing the IBOR transition is also increasing as a result of growing interest from a number of local regulators, and the work required where there are local IBORs requiring transition as well • Whilst the PLC Group does not submit to LIBOR, LIBOR is heavily relied upon by the PLC Group as a reference rate for many financial instruments	• The PLC Group has a well-established global IBOR Transition Programme to consider all aspects of the transition and how risks from the transition can be mitigated. The Group leverages the PLC Group's IBOR transition programme given the significant overlap between the Group and PLC Group's operations. • A significant amount of work has been undertaken in raising awareness and understanding of the transition, both internally and with clients, with around 6,500 staff and over 1,900 clients trained globally • From an industry and regulatory perspective, the PLC Group is actively participating in and contributing to different RFR Working Groups, industry associations and business forums focusing on different aspects of the LIBOR (and other IBORs, as applicable) to RFR transition • The PLC Group monitors the developments at these IBOR-related forums and reflects and aligns significant industry decisions into the PLC Group's transition plans, as required

Technological considerations (Risk ranked according to severity)

Emerging Risk	Context	How these are mitigated/next steps
Third Party Dependency Potential impact: High Likelihood: High Velocity of change: Moderate	• COVID-19 has impacted businesses globally, and placed significant pressure on the financial health of our suppliers, vendors and other third parties. While current operational performance remains at expected levels with no significant impact, the Group needs to continue focusing and monitoring critical suppliers, in particular as the risk of impact in the near term remains heightened • This is particularly relevant from a cyber-security perspective where the effect of a cyber event can quickly multiply and extend to other intersecting areas • There is increasing usage of partnerships and alliances by banks to respond to a rapidly changing banking landscape and disruption, particularly in new technologies, from existing players and new entrants. This is making partnerships and alliances an integral part of banks' emerging business model and value proposition to the clients	• An assessment of third-party risk was undertaken in Q4 2020. We continue to enhance our overall third-party risk management in response to a changing environment • The 2021 Risk Appetite metrics for Vendor Service risk focus on heightened monitoring of high-risk arrangements and contingency plans • Third Party Risk Management policies, procedures and governance are being reviewed to ensure adequate coverage of all third-party types in addition to inclusion and consideration across all PLC Group activities

Emerging Risk	Context	How these are mitigated/next steps
New technologies and digitisation (including business disruption risk, responsible use of Artificial Intelligence) Potential impact: High Likelihood: High Velocity of change: Fast	• Innovation in the Financial Services industry is happening at a relentless pace, for example Artificial Intelligence (AI) and blockchain have continued to gather speed with a growing number of use cases that address evolving customer expectations. The Group must adapt its operating model or risk competitive disadvantage • In Retail Banking, we continue to observe significant shifts in customer value propositions as markets deepen. Fintechs are delivering digital only banking offerings with differentiated user experience, value propositions and product pricing. There is growing usage of AI and Machine Learning (ML) to deliver highly personalised services such as virtual chatbots to provide digital financial advice and predictive analytics to cross-sell products • In corporate banking, we continue to observe an increasing focus on digitalisation to streamline processes and provide scalable and personalised solutions for corporate clients. There are growing use cases for blockchain technologies, e.g. streamline cross-border payments and automate key documentation. AI and ML are also increasingly used in predictive risk modelling • Rapid adoption of new technologies requires that we also determine how the Group's security standards, capabilities and processes need to be applied and, in some cases how we need to adapt in light of new technology • As these new technologies grow in sophistication and become further embedded across the banking and financial services industry, banks may become more susceptible to technology-related risks. For example, the growing usage of big data and cloud computing solutions has heightened cyber security risks in banks • Regulators are increasing emphasis on the importance of resilient technology infrastructure in terms of elimination of cyber risk and improving reliability • Crypto-assets are diversifying rapidly, in line with the ongoing structural transformation in technology, preferences and usages amongst investors and consumers. They may increasingly pose a risk to monetary policy and the smooth functioning of market infrastructures and payments	• Along with the PLC Group, we continue to undertake a rigorous approach in monitoring emerging trends and new developments, opportunities and risks in the technology space, which may have implications on the banking sector • The Group has existing governance and control frameworks for the deployment of new technology services, products and services, and aligns them in line with the enhancement at the PLC Group level.
Increased data privacy and security risks from strategic and wider use of data Potential impact: High Likelihood: High Velocity of change: Moderate	• As digital technologies grow in sophistication and become further embedded across the banking and financial services industry, the potential impact profile with regards to data risk is changing. The growing use of big data for analysis purposes and cloud computing solutions are examples of this • In addition, these risks represent an emerging and topical theme both from regulatory and compliance perspectives	• The Group has existing governance and control frameworks for the deployment of new technologies, products and services, and aligns them in line with the enhancements at PLC Group level.

Emerging Risk	Context	How these are mitigated/next steps
Increase in long-term remote working providing new challenges Potential impact: High Likelihood: High Velocity of change: Moderate	• With the outbreak of COVID-19 across the world, many governments have imposed a full or partial lockdown in countries where the Group operates. These actions have restricted the movement of staff and meant that a large percentage are required to work remotely for a prolonged period • There is an increase in Information and Cyber Security (ICS) and privacy risks given the increase in the number of staff in certain roles who have access to confidential customer and client information working outside the secure office or branch environment • Traditional threat vectors (i.e. phishing and malware) combined with new threats due to digitisation and technology advancements at the endpoints (i.e. mobile devices and websites) adds another layer of potential cyber risk that could lead to disrupted services • Malicious actors are increasing their capability and maturity by adapting to varying trends and new technologies to personalise attacks on organisations (i.e. ransomware) • There is increased risk that staff become detached. Whilst some people have work conducive environments at home, many do not. The impact of this takes many forms and may result in feelings of isolation, increased stress and challenges around work life balance • Without the supervision that being in an office allows, there is a risk that issues such as those relating to wellbeing, performance and misconduct go unseen. Staff skills and capabilities may also be affected by extended remote working	• The Group recognises the importance of ensuring that its ICS focus does not shift as it manages the financial and operational challenges posed by COVID-19 • The Group has sought to raise ICS awareness among customers and clients through messages posted on websites, applications and through fraud alerts on the online banking landing pages. Internally, the Group has increased ICS awareness amongst staff to remind them to stay vigilant to the new types of, and increased frequency of, cyber threats • The Group employs a range of technical measures across its laptops, IT systems and network to minimise the risk of data leakage. The Group's Cyber Defence Centre and Cyber Threat Intelligence teams have improved proactive security monitoring of COVID-19 themed phishing campaigns, malicious activities and threats • The Group has moved to large-scale adoption of technology to master a variety of critical aspects of the COVID-19 crisis and sustain productivity levels, such as implementing required infrastructure and security controls to enable work from home arrangements, use of collaboration tools (including Skype, BlueJeans, and Mural), accelerated cloud-based service offerings and many others • The Group has also assessed the risk, impact and robustness of continuity plans for pandemic critical vendor services supporting critical banking operations • The Group has prioritised supporting people in working virtually through the pandemic. This has included a learning pathway to help colleagues and people leaders continue developing skills and work virtually, providing information and resources, including toolkits and webinars covering working from home related topics such as safety and wellbeing, and productivity

Potential impact Refers to the extent to which a risk event might affect the Group	**Likelihood** Refers to the possibility that a given event will occur	**Velocity of change** Refers to when the risk event might materialise
High (significant financial or non-financial risk)	High (almost certain)	Fast (risk of sudden developments with limited time to respond)
Medium (some financial or non-financial risk)	Medium (likely or possible)	Moderate (moderate pace of developments for which we expect there will be time to respond)
Low (marginal financial or non-financial risk)	Low (unlikely or rare)	Steady (gradual or orderly developments)

Capital review

Capital management and governance

The Group's capital and leverage position is managed within the Court-approved Risk Appetite framework. Further detail is provided within the Risk Management Framework section on page 123.

Standard Chartered Bank is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA as Standard Chartered Bank (Solo Consolidated). Following the completion of the Standard Chartered PLC Group reorganisation in 2019, Standard Chartered Bank continues to operate through its branches and a number of subsidiaries, all of which remain well capitalised in line with their applicable Board-approved Risk Appetites which takes into account local regulations, Pillar 1 and 2 requirements and regulatory and management buffers as applicable.

The Group's CET1 ratio capital position remained strong at 12.7 per cent with low leverage and high levels of loss absorbing capacity. Compared to 31 December 2019, the Group's CET1 ratio increased 32 bps mainly due to increase in capital of $0.9 billion resulting from $0.5 billion reduced software deduction due to implementation of CRR II quick fix measures, $0.3 billion Group internal capital injection, $0.3 billion FVOCI reserve gains and reduced Excess EL deduction of $0.3 billion due to increased ECL during the year partly offset by slightly higher RWAs.

Capital ratios

	2020	2019
CET1	12.7%	12.4%
Tier 1 capital	15.1%	15.9%
Total capital	21.6%	21.5%

CRD Capital base[1] (audited)

	2020 $million	2019 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	19,620	19,320
Of which: share premium accounts	296	296
Retained earnings[2]	11,593	15,723
Accumulated other comprehensive income (and other reserves)	(3,512)	(3,813)
Non-controlling interests (amount allowed in consolidated CET1)	160	697
Independently reviewed interim and year-end profits	(32)	(3,705)
Foreseeable dividends	(162)	(233)
CET1 capital before regulatory adjustments	27,667	27,989
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(354)	(409)
Intangible assets (net of related tax liability)[3]	(2,943)	(3,794)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(133)	(83)
Fair value reserves related to net losses on cash flow hedges	(5)	11
Deduction of amounts resulting from the calculation of excess expected loss	(377)	(686)
Net gains on liabilities at fair value resulting from changes in own credit risk	28	(24)
Defined-benefit pension fund assets	(13)	(12)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(32)	(28)
Exposure amounts which could qualify for risk weighting of 1250%	(21)	(39)
Total regulatory adjustments to CET1	(3,850)	(5,064)
CET1 capital	23,817	22,925
Additional Tier 1 capital (AT1) instruments	4,571	6,626
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	28,368	29,531
Tier 2 capital instruments	12,293	10,366
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	12,263	10,336
Total capital	40,631	39,867
Total risk-weighted assets (unaudited)	187,901	185,615

1 CRD capital is prepared on the regulatory scope of consolidation

2 Retained earnings include IFRS9 capital relief (Transitional) of $367 million including dynamic relief of $71 million

3 Deduction for intangible assets includes software deduction relief of $464 million as per the CRR 'Quick Fix' measure

Leverage ratio

Capital and total exposures	2020 $million	2019 $million
Tier 1 capital	27,372	28,038
Total leverage ratio exposures	587,570	582,597
Leverage ratio	4.7%	4.8%

Opinion

In our opinion:

- the financial statements of Standard Chartered Bank (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Group and Parent Company for the year ended 31 December 2020 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 December 2020;	Balance sheet as at 31 December 2020;
Consolidated income statement for the year then ended;	Statement of changes in equity for the year then ended;
Consolidated statement of comprehensive income for the year then ended;	Parent Company cash flow statement for the year then ended; and
Consolidated statement of changes in equity for the year then ended	Related note 1 to 40, where relevant, to the financial statements including a summary of significant accounting policies
Group cash flow statement for the year then ended;	
Related note 1 to 40 to the financial statements, including a summary of significant accounting policies; and	
Risk and capital disclosures marked as 'audited' from page 51 to page 153.	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as regards to the Group financial statements, IFRSs adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and; as regards to the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding management's going concern assessment process, including the impact of the COVID-19 pandemic (COVID-19);
- Review of the Corporate Plan, including assessing the reasonableness of assumptions and historical forecasting accuracy;
- Assessing the results of management's stress testing, including consideration of principal and emerging risks on funding, liquidity and regulatory capital;
- Reviewing correspondence with prudential regulators and authorities for matters that may impact the going concern assessment; and
- Evaluating the appropriateness of the going concern disclosure included in note 1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 20 components across 13 countries and audit procedures on specific balances for a further 2 components across 2 countries. • The components where we performed full or specific audit procedures accounted for 81% of adjusted absolute profit before tax (PBT) measure used to calculate materiality, 83% of absolute operating income and 95% of total assets.
Key audit matters	1. Credit impairment 2. User access management 3. Valuation of financial instruments held at fair value with higher risk characteristics 4. Impairment of non-financial assets (Investment in subsidiary undertakings and Goodwill)
Materiality	• Overall Group materiality of $130 million which represents 5% of adjusted PBT

Initial audit considerations

In preparation for our first-year audit of the Group and Parent Company, we performed a number of transitional procedures. This involved considering previous commercial relationships and personal financial arrangements and confirming that all staff who work on the audit are independent of the Group. Following our selection, we held discussions with the predecessor auditor (KPMG) and reviewed their 2019 financial statement audit work papers. We gained an understanding of the Group's processes, including the risk assessment and key judgements made by the predecessor auditors. At the outset of our audit we gained an understanding of the business issues and met with executive and key management of the Group and Parent Company. We used this understanding in the formulation of our audit strategy for the 2020 Group audit. Our procedures are in line with the requirements of ISA 510 – initial audit engagements to gain comfort over the opening balances as at 1 January 2020.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We took into account the size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as material issues or misstatements noted in prior periods by the predecessor auditor when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 290 reporting components of the Group, we selected 22 components across 15 countries covering entities within Bangladesh, Germany, India, Indonesia, Japan, Kenya, Malaysia, Nigeria, Pakistan, Singapore, Sri Lanka, Thailand, United Arab Emirates, United Kingdom, and the United States of America which represent the principal business units within the Group. The definition of a component is aligned with the structure of the Group's consolidation system, typically these are either a branch, group of branches or a subsidiary.

We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. This included audit work over Global Business Services, Commercial Banking, Corporate and Institutional Banking, Credit Impairment and Technology.

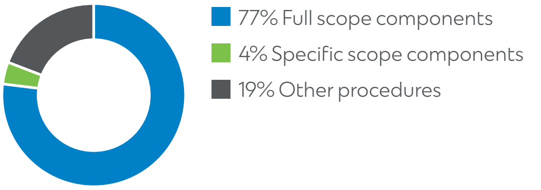
Of the 22 components selected representing 15 countries, we performed an audit of the complete financial information of 20 components representing 13 countries ('full scope components') which were selected based on their size or risk characteristics. For the remaining 2 components representing 2 countries ('specific scope components'), we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 81% of the Group's adjusted PBT measure used to calculate materiality, 83% of the Group's absolute operating income and 95% (2019: KPMG 92%) of the Group's total assets. For the current year, the full scope components contributed 77% of the Group's adjusted PBT, 76% of the Group's absolute operating income and 85% (2019: KPMG 79%) of the Group's total assets. The specific scope components contributed 4% of the Group's adjusted PBT, 7% of the Group's absolute operating income and 10% (2019: KPMG 13%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

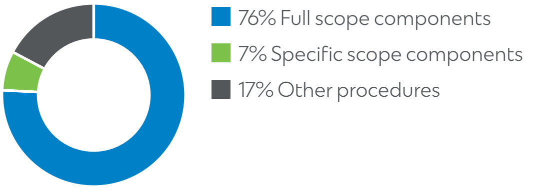
Of the remaining 268 components that together represent 19% of the Group's adjusted PBT, none are individually greater than 2% of the Group's adjusted PBT. For these components, we performed other procedures which included, but were not limited to, performing analytical reviews at a Group financial statement line item level, testing entity level controls, performing audit procedures on the centralised shared service centres, testing of consolidation journals and intercompany eliminations, inquiring with local component teams and assessing the outcome of prior year local statutory audits.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

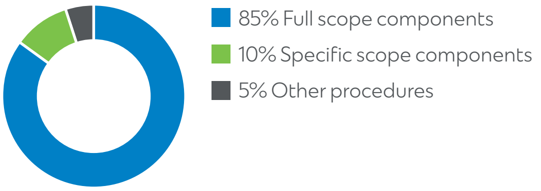
Adjusted absolute profit before tax



Absolute operating income



Total assets



Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by the Group engagement team, or by component auditors from other EY global network firms and another firm operating under our instruction. In addition, the Group has centralised processes and controls over key areas in its shared service centres. Members of the Group engagement team provide direct oversight, review and coordination of our shared service centres audit teams.

Our programme of planned visits to components and shared service centres in several locations were impacted by the current travel restrictions and other imposed government measures as a result of COVID-19. As part of our alternative procedures during the current year's audit cycle, we undertook virtual site visits. These virtual site visits involved discussing the audit approach with the component and shared service centre teams and any issues arising from their work, meeting with local management, attending interim and closing meetings and performing remote reviews of key audit work papers.

As a result of COVID-19, we extended our involvement and oversight of the component teams. This includes the audit engagement partners and senior members of the audit team increasing their involvement and oversight, increased regular interactions through calls and video conferences during various stages of the audit process, increasing our written communications to and reporting from the component teams and inviting component teams to our virtual planning event and subsequent dedicated virtual events.

For all significant and fraud risk areas, substantial elements of the audit work were led centrally, either within the Group engagement team, or within teams performing centralised procedures.

These, together with the additional procedures performed at Group level, gave us sufficient and appropriate evidence for our opinion on the Group and Parent Company financial statements.

Key audit matters

Key audit matters (KAMs) are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment Accounting policies (page 184); Note 8 of the financial statements; and relevant credit risk disclosures (including page 59 and 61) At 31 December 2020 the Group reported total credit impairment of $6,402 million (2019: $5,724 million). Management's judgements and estimates which are especially subjective to audit due to significant uncertainty associated with the assumptions used in the estimation in respect of the timing and measurement of expected credit losses (ECL) include: • Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9 considering the impact of COVID-19 and related government support measures, such as payment deferrals, on customer behaviours; • Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL considering the impact of COVID-19 on model performance and any additional data to be considered in the ECL calculation; • There are significant judgements involved with the determination of parameters used in Monte Carlo Simulation and the evaluation of the appropriateness of using Monte Carlo Simulation in the context of COVID-19 with regards to whether the simulation can sufficiently capture the non-linearity of expected credit losses and appropriately generate a wide range of possible outcomes. • Appropriateness, completeness and valuation of post model adjustments and COVID-19 specific risk event overlays given the increased uncertainty and less reliance on modelled outputs increasing the risk of management override; and • Measurement of individual provisions including the assessment of probability weighted scenarios and the impact COVID-19 had on exit strategies, collateral valuations and time to collect.	We evaluated the design and operating effectiveness of controls relevant to the Group's processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent it was appropriate. These included: • controls over the allocation of assets into stages such as management's monitoring of stage effectiveness; • the governance and review of post model adjustments; • risk event overlays; • completeness and accuracy of data; • multiple economic scenarios; • credit monitoring; and • individual provisions. We obtained papers and minutes of the executive forums that evaluate credit models and ECL provisions for evidence of executive review and challenge. We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, impact of COVID-19 including geographic considerations and high risk industries. We also assessed the effect of government support measures in key locations (e.g., payment deferrals), which may delay and mask stage migrations. Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economies and industries to which the Group is exposed. We evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of assets and assessed the reasonableness of staging downgrades applied by management. We performed a risk assessment on models involved in the ECL calculation to select a sample of models to test. Our modelling specialists evaluated a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design and formulae used, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default. We also assessed the material post-model adjustments which were applied as a response to model ineffectiveness and risk event overlays as a result of COVID-19. With our modelling specialists, we also considered the completeness and appropriateness of these adjustments by considering the judgments, methodology and governance applied. In response to new models implemented this year which addressed known weaknesses, we performed more extensive substantive procedures in testing the modelled ECL. To test credit monitoring, we challenged the risk ratings for a sample of performing loans and focused our testing on high risk industries impacted by COVID-19.	Our testing of models, model assumptions and the Group's Monte Carlo Simulation identified some instances of over and under estimation. We aggregated these differences and were satisfied that the overall estimate recorded was reasonable. The COVID-19 adjustment on the ECL as at year end was reasonable. Overall modelled ECL levels, staging and indvidually assessed provisions were reasonable. We concluded that the Group's ECL provisions was reasonable and recognised in accordance with IFRS 9.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment (continued)	To evaluate data quality, we agreed a sample of ECL calculation data points to source systems, including balance sheet data used to run the models. We also tested a sample of the ECL data points from the calculation engine through to the general ledger and disclosures. We included COVID-19 specific data points in this testing. We involved economic specialists to assist us in evaluating the reasonableness of the base forecast and the range of economic scenarios produced by the Monte Carlo Simulation. Procedures performed included benchmarking a sample of core macro-economic variables to a variety of external sources. For material models, in collaboration with our economists and modelling specialists, we also challenged the completeness and appropriateness of the macroeconomic variables used as inputs to these models. When recalculating a sample of individually assessed provisions, our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified and assigning individual probability weightings. We also engaged our valuation specialists to test the value of the collateral used in management's calculations. Our sample was based on quantitative thresholds and qualitative factors including vulnerable sectors. We considered the impact COVID-19 had on collateral valuations and time to collect. We also considered whether planned exit strategies remained viable under COVID-19. We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards and regulatory considerations including expectations of COVID-19 specific disclosures.	
2. User Access Management IT general controls (ITGCs) support continuous operation of the automated controls within the business processes related to financial reporting. Effective ITGCs are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner. During 2018 and 2019, the Group Internal Audit and the predecessor auditor identified a number of significant privileged ID management control deficiencies. These control deficiencies are still in the process of being fully remediated. We also identified new control findings in the current year audit, as well as observations relating to the effectiveness of management's remediation activities. The possibility of users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention and unauthorised changes to systems or programmes.	We reviewed the results of management's remediation programmes and risk assessments for applications within the scope of our audit and assessed the impact on the financial statements for the year ended 31 December 2020. We tested IT compensating controls, and where the compensating controls were not effective, we performed additional IT substantive procedures to confirm whether the risks associated with the reported deficiencies materialised during the year. Where required, we tested business compensating controls and performed additional business substantive procedures.	We communicated weaknesses in internal control to the Audit Committee, in respect of the effectiveness of IT user-access management. We explained the additional procedures performed, including IT substantive testing, testing of IT and business compensating controls, and where required, additional substantive testing over impacted account balances. As a result of the procedures performed, we have reduced the risk that our audit has not identified a material error in the Group and Parent Company's financial statements, related to user access management, to an appropriate level.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
3. Valuation of financial instruments held at fair value with higher risk characteristics Accounting policies (page 195); and Note 12 of the financial statements At 31 December 2020, the Group reported financial assets measured at fair value of $225,834 million, and financial liabilities at fair value of $128,782 million, of which financial assets of $2,351 million and financial liabilities of $238 million are classified as Level 3 in the fair value hierarchy. The fair value of financial instruments with higher risk characteristics is determined through the application of valuation techniques, which involve the use of management judgement in the selection of valuation models, assumptions and pricing inputs, and present the risk of inappropriate revenue recognition through incorrect pricing. A higher level of estimation uncertainty is involved for financial instruments valued using complex models, pricing inputs that have limited observability, and fair value adjustments, including the Debit Valuation Adjustment, Funding Valuation Adjustment and Credit Valuation Adjustment in relation to derivative transactions with counterparties where credit spreads are less readily able to be determined. Management's estimates that required significant auditor judgement included: • Level 3 derivative financial instruments and certain Level 2 derivative financial instruments valued using complex models; and • Unlisted equity investments, loans at fair value, debt and other financial instruments classified in Level 3 with unobservable pricing inputs. Significant judgement is required due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models.	We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model review and approval, collateral management, and income statement analysis and reporting. We engaged valuation specialists to assist the audit team in performing the following procedures: • Tested complex model-dependent valuations by independently revaluing Level 3 and certain complex Level 2 derivatives that had been valued using less liquid pricing inputs, in order to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group; • Tested valuations of other financial instruments with higher estimation uncertainty, such as unlisted equity investments, loans at fair value, debt and other positions, including development of independent valuation ranges, where appropriate; • Assessed the appropriateness of pricing inputs as part of the Independent Price Verification process; and • Compared the methodology used for fair value adjustments to current market practice; we revalued a sample of valuation adjustments, compared funding spreads to third party data and challenged the basis for determining illiquid credit spreads. Where differences between our independent valuation and management's valuation were outside our thresholds, we performed additional testing over each variance to assess the impact on the valuation of financial instruments with higher risk characteristics, including related income from trading activities.	We concluded that the assumptions used by management to estimate the fair value of financial instruments with higher risk characteristics and the recognition of related income was reasonable. We highlighted the following matters to the Audit Committee: • Complex-model dependent valuations were appropriate based on the output of our independent revaluations; • Fair values of derivative transactions, unlisted equity investments, loans, debt and other financial instruments valued using pricing information with limited observability were not materially misstated as at 31 December 2020, based on the output of our independent calculations; and • Valuation adjustments in respect of credit, funding and other risks applied to derivative portfolios and debt securities issued were appropriate, based on our analysis of market data and benchmarking of pricing information.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
4. Impairment of non-financial assets **Impairment of Goodwill:** Accounting policies (page 257); and Note 16 of the financial statements **Impairment of investment in subsidiary undertakings:** Accounting policies (page 293); and Note 31 of the Consolidated Financial Statements (page 293) COVID-19 and government measures taken in response to the pandemic have had, and are expected to continue to have, a significant economic impact globally. As a result, the Group recorded impairment charges in respect of various non-financial assets during 2020, the most significant of which are set out below. As at 31 December 2020, the Group impaired goodwill by $403 million (2019: $23 million). The Parent Company impaired investments in subsidiary undertakings by $349m (2019: $259m). Impairment of goodwill and investments in subsidiary undertakings is determined by comparing the carrying value to VIU. The VIU is based on future profitability forecasts, which are inherently uncertain, require significant judgement and are subject to the risk of management bias. Aside from profit forecasts, other significant judgements included in the VIU are discount rates and macroeconomic assumptions such as long-term growth rates. Consequently, there is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the goodwill and investments in subsidiary undertakings balances may be overstated. **Parent Company restatement** In addition, the Parent Company restated the investments in subsidiaries balance for 2019 in relation to a reversal of impairments amounting to $612 million relating to prior years.	We obtained an understanding of management's processes for impairment assessment and evaluated the design of controls. We assessed the appropriateness of the Group's VIU methodology for testing the impairment of goodwill and investments in subsidiary undertakings. We tested the mathematical accuracy of the VIU model and engaged valuation specialists to support the audit team in calculating an independent range for assumptions underlying the VIU calculations, such as the discount rate and long-term growth rates for each cash generating unit. We reconciled the future profitability forecasts to the Group's approved Corporate Plan. We performed audit procedures to assess the reasonableness of the forecasts, review of the Group Strategy and Corporate Plan and benchmarking the Corporate Plan using institutional forecasts, assessing the reasonableness of assumptions and testing historical forecasting accuracy. In addition, we performed a stand back test to assess whether the forecasts and assumptions utilised by the Group were consistent across the key estimates. We evaluated management's sensitivity analysis and performed independent stress tests to identify the cash generating units that were most sensitive to potential change in assumptions, including the long-term growth rate, discount rates and profitability forecasts. In addition, we assessed the appropriateness of goodwill disclosures in relation to the impact of reasonably possible changes in key assumptions on the carrying values of non-financial assets. We assessed the facts and circumstances management presented to reverse the impairments recorded with respect to prior years in line with accounting standards. **Parent Company restatement** We tested the appropriateness of the adjustment and the related financial statement disclosures.	**Impairment of Goodwill** We concluded that the goodwill balance as at 31 December 2020 was not materially misstated. We concluded that the disclosures in the financial statements appropriately reflect the sensitivity of the carrying value of goodwill to reasonably possible changes in key assumptions, and that these downside sensitivities could require an adjustment to the carrying amount of goodwill in future. **Impairment of investment in subsidiary undertakings** We concluded that the investment in subsidiary undertakings balance is not materially misstated as at 31 December 2020. **Parent Company restatement** We concluded that it was appropriate for the Parent Company to restate the 2019 figures for the reversal of impairment, and that the presentation and disclosure of the restatement was acceptable.

The current year KAMs are consistent with prior year KAMs reported by the predecessor auditor, except for impairment of investment in subsidiary undertakings.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $88 million (2019: KPMG $120 million), which is 5% of adjusted PBT based on actual results for the nine months ended 30 September 2020 and last quarter's reforecast (2019: KPMG 3.2% of total revenue). We believe that adjusted PBT provides us with be the most appropriate measure for the users of the financial statements, given the Group is profit making; it is consistent with the wider industry and is the standard for regulated entities and we believe it reflects the most useful measure for users of the financial statements. We also believe that the adjustments are appropriate as they relate to material non-recurring items.

Starting basis

- Statutory profit before tax $810m*

Adjustments

- Goodwill impairment of $403m
- Provision for regulatory matters of ($14m)
- Restructuring costs of $198m*
- Net loss on businesses disposed of ($6m)
- Management overlay relating to COVID-19 of $372m*
- Total Non-recurring items: $953m

Materiality

- Totals $1.77bn adjusted PBT
- Materiality of $88m (5% of adjusted PBT)

* These are based on actual results for the nine months ended 30 September 2020 and Q4 2020 reforecast

We determined materiality for the Parent Company to be $88 million (2019: KPMG $110 million), which is aligned to the materiality of the Group since the financial statements covers both the Group and Parent Company (2019: KPMG 2.7% of total revenue).

We reassessed our materiality based on actual results for the year ended 31 December 2020, and have concluded that the planning materiality remains appropriate.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2019: KPMG 65%) of our planning materiality, namely $44m (2019: KPMG $78m). We have set performance materiality at this percentage since this is an initial audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative size and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $7m to $13m (2019: KPMG $1m to $40m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $4m (2019: KPMG $5m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion

Other information

The other information comprises the information included in the annual report including the Strategic report, Directors' report, the Statement of directors' responsibilities, the Risk review and Capital review, and the Glossary, other than the financial statements, the disclosures or tables marked as 'audited' and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 50 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006 and the UK Corporate Governance Code), regulations and supervisory requirements of the Prudential Regulation Authority, FRC, Financial Conduct Authority, UK Listing Rules, Disclosure Guidance and Transparency Rules, and other overseas regulatory requirements, including but not limited to regulations in its major markets such as India, Singapore, the United States of America, and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to regulatory capital and liquidity, conduct, financial crime including anti-money laundering, sanctions, market abuse and environmental regulations recognising the financial and regulated nature of the Group's activities.
- We understood how the Group is complying with those frameworks by performing a combination of inquiries of senior management and those charged with governance as required by auditing standards, review of Court and committee meeting minutes, gaining an understanding of the Group's approach to governance and inspection of regulatory correspondences in the year. We also engaged EY financial crime specialists to perform procedures on areas relating to anti-money laundering and sanctions. Through these procedures, we became aware of actual or suspected non-compliance. The identified actual or suspected non-compliance was not sufficiently significant to our audit that would have resulted in being identified as a key audit matter.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates and journal entry testing.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of Group legal counsel, money laundering reporting officer, internal audit, certain senior management executives and focused testing. We also performed inspection of key regulatory correspondences from the relevant regulatory authorities.
- For instances of actual or suspected non-compliance with laws and regulations, which have a material impact on the financial statements, these were communicated to the Group engagement team and component teams who performed audit procedures such as inquiries with management and external legal counsel, sending confirmations to external lawyers and meeting with external regulators. Where appropriate, we involved specialists from our firm to support the audit team.
- The Group operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team, the component teams and the shared service centre teams to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed as auditors of the Company and signed an engagement letter on 31 March 2020, and were appointed by the Company at the Annual General Meeting on 6 May 2020, to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ended 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London 25 February 2021

Consolidated income statement

For the year ended 31 December 2020

	Notes	2020 $million	2019 $million
Interest income		7,807	10,831
Interest expense		(3,707)	(6,360)
Net interest income	3	4,100	4,471
Fees and commission income		2,601	2,752
Fees and commission expense		(596)	(416)
Net fee and commission income	4	2,005	2,336
Net trading income	5	2,606	2,384
Other operating income	6	525	187
Operating income		9,236	9,378
Staff costs		(5,128)	(5,245)
Premises costs		(249)	(249)
General administrative expenses		(414)	(858)
Depreciation and amortisation		(672)	(629)
Operating expenses	7	(6,463)	(6,981)
Operating profit before impairment losses and taxation		2,773	2,397
Credit impairment	8	(1,976)	(699)
Goodwill and other impairment	9	(262)	(34)
Profit from associates and joint ventures	31	1	55
Profit before taxation		536	1,719
Taxation	10	(514)	(796)
Profit for the year from continuing operations		22	923
Loss from discontinued operations	40	–	(4,573)
Profit/(loss) for the year		22	(3,650)
Profit/(loss) attributable to:			
Non-controlling interests	28	47	50
Parent company shareholders		(25)	(3,700)
Profit/(loss) for the year		22	(3,650)

The notes on pages 171 to 318 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 $million	2019 $million
Profit from continuing operations		**22**	923
Other comprehensive income/(loss)			
Items that will not be reclassified to income statement:		**(14)**	(427)
Own credit losses on financial liabilities designated at fair value through profit or loss		**(54)**	(330)
Equity instruments at fair value through other comprehensive income		**71**	20
Actuarial losses on retirement benefit obligations	29	**(17)**	(139)
Taxation relating to components of other comprehensive income	10	**(14)**	22
Items that may be reclassified subsequently to income statement:		**280**	50
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(213)**	(476)
Net (losses)/gains on net investment hedges		**(11)**	191
Reclassified to income statement on sale of joint venture		**246**	–
Share of other comprehensive income from associates and joint ventures		**–**	3
Debt instruments at fair value through other comprehensive income			
Net valuation gains taken to equity		**639**	464
Reclassified to income statement		**(353)**	(145)
Net impact of expected credit losses		**19**	8
Cash flow hedges:			
Net (losses)/gains taken to equity		**(9)**	46
Reclassified to income statement	13	**9**	9
Taxation relating to components of other comprehensive income	10	**(47)**	(50)
Other comprehensive income/(loss) for the year from continuing operations		**266**	(377)
Loss from discontinued operations	40	**–**	(4,573)
Other comprehensive income for the year from discontinued operations		**–**	1,345
Total comprehensive income/(loss) for the year		**288**	(2,682)
Total comprehensive income/(loss) attributable to:			
Non-controlling interests	28	**44**	33
Parent company shareholders		**244**	(2,715)
Total comprehensive income/(loss) for the year		**288**	(2,682)

Consolidated balance sheet
As at 31 December 2020

		Group		Company	
	Notes	**2020 $million**	2019 $million	**2020 $million**	restated 2019 $million
Assets					
Cash and balances at central banks	12,34	**58,117**	43,926	**46,476**	34,734
Financial assets held at fair value through profit or loss	12	**84,954**	80,467	**80,626**	74,835
Derivative financial instruments	12,13	**69,225**	48,883	**68,910**	48,524
Loans and advances to banks	12,14	**27,666**	36,948	**14,997**	22,265
Loans and advances to customers	12,14	**140,861**	139,181	**72,969**	76,845
Investment securities	12	**86,087**	89,966	**71,102**	71,841
Other assets	19	**33,390**	26,398	**28,896**	22,288
Due from subsidiary undertakings and other related parties		**5,612**	11,137	**10,885**	21,926
Current tax assets	10	**808**	532	**605**	326
Prepayments and accrued income		**1,357**	1,843	**958**	1,387
Interests in associates and joint ventures	31	**79**	44	**–**	–
Investments in subsidiary undertakings		**–**	–	**8,258**	9,227
Goodwill and intangible assets	16	**3,496**	3,743	**1,958**	2,117
Property, plant and equipment	17	**1,201**	1,330	**708**	814
Deferred tax assets	10	**648**	830	**486**	714
Assets classified as held for sale	20	**92**	1,190	**89**	910
Total assets		**513,593**	486,418	**407,923**	388,753
Liabilities					
Deposits by banks	12	**23,761**	24,126	**18,482**	19,232
Customer accounts	12	**216,719**	210,262	**122,061**	124,032
Repurchase agreements and other similar secured borrowing	12	**20**	178	**–**	178
Financial liabilities held at fair value through profit or loss	12	**59,714**	58,319	**59,101**	57,415
Derivative financial instruments	12,13	**69,068**	48,987	**68,423**	48,447
Debt securities in issue	12,21	**29,356**	31,243	**27,661**	30,748
Other liabilities	22	**29,869**	24,479	**23,515**	18,810
Due to parent companies, subsidiary undertakings & other related parties		**32,326**	35,354	**43,012**	43,357
Current tax liabilities	10	**345**	449	**250**	259
Accruals and deferred income		**2,990**	3,616	**1,411**	1,747
Subordinated liabilities and other borrowed funds	12,26	**14,879**	13,029	**14,339**	12,489
Deferred tax liabilities	10	**579**	497	**505**	435
Provisions for liabilities and charges	23	**400**	402	**336**	498
Retirement benefit obligations	29	**419**	427	**367**	383
Liabilities included in disposal groups held for sale	20	**–**	9	**–**	9
Total liabilities		**480,445**	451,377	**379,463**	358,039
Equity					
Share capital and share premium account	27	**21,120**	20,820	**21,120**	20,820
Other reserves		**(3,512)**	(3,813)	**(1,736)**	(1,906)
Retained earnings		**11,286**	11,745	**6,076**	6,800
Total parent company shareholders' equity		**28,894**	28,752	**25,460**	25,714
Other equity instruments	27	**3,000**	5,000	**3,000**	5,000
Total equity excluding non-controlling interests		**31,894**	33,752	**28,460**	30,714
Non-controlling interests	28	**1,254**	1,289	**–**	–
Total equity		**33,148**	35,041	**28,460**	30,714
Total equity and liabilities		**513,593**	486,418	**407,923**	388,753

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements. The Company loss for the year after tax is $141 million (2019: profit after tax $878 million). The 2019 company profit for the year includes a restatement of impairment in subsidiary undertakings, see Note 1 on page 171.

The notes on pages 171 to 318 form an integral part of these financial statements.

These financial statements were approved by the Court of Directors and authorised for issue on 25 February 2021 and signed on its behalf by:

Bill Winters, Director

Andy Halford, Director

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Share capital and share premium account $million	Capital and merger reserves $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2019	28,320	40[1]	390	(136)	103	(27)	(5,546)	19,904	43,048	5,000	4,783	52,831
Discontinued operations	–	–	(67)	38	(80)	(12)	1,432	(4,452)	(3,141)	–	(4,521)	(7,662)
Continuing operations	28,320	40	323	(98)	23	(39)	(4,114)	15,452	39,907	5,000	262	45,169
Profit for the year	–	–	–	–	–	–	–	873	873	–	50	923
Other comprehensive (loss)/income	–	–	(299)	305	15	33	8	(144)[2]	(82)	–	(17)	(99)
Distributions	–	–	–	–	–	–	–	–	–	–	(56)	(56)
Share option expense	–	–	–	–	–	–	–	131	131	–	–	131
Dividends on ordinary shares	–	–	–	–	–	–	–	(393)	(393)	–	–	(393)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(441)	(441)	–	–	(441)
Dividends declared as a result of Group Restructuring	–	–	–	–	–	–	–	(11,142)	(11,142)	–	–	(11,142)
Deemed distribution to parent[3]	–	–	–	–	–	–	–	(135)	(135)	–	–	(135)
Cancellation of shares	(7,500)	–	–	–	–	–	–	7,500	–	–	–	–
Non-controlling interest in Standard Chartered Bank (Singapore) Limited	–	–	–	–	–	–	–	–	–	–	1,057	1,057
Other movements	–	–	–	(5)[4]	–	(5)[4]	–	44[4]	34	–	(7)[4]	27
As at 31 December 2019	**20,820**	**40**	**24**	**202**	**38**	**(11)**	**(4,106)**	**11,745**	**28,752**	**5,000**	**1,289**	**35,041**
(Loss)/profit for the year	–	–	–	–	–	–	–	(25)	(25)	–	47	22
Other comprehensive (loss)/income	–	–	(52)	240	44	16	29	(8)[2]	269	–	(3)	266
Distributions	–	–	–	–	–	–	–	–	–	–	(79)	(79)
Shares issued, net of expenses	300	–	–	–	–	–	–	–	300	–	–	300
Redemption of Additional Tier 1 instruments	–	–	–	–	–	–	–	–	–	(2,000)	–	(2,000)
Share option expense	–	–	–	–	–	–	–	124	124	–	–	124
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(458)	(458)	–	–	(458)
Deemed distribution to parent[3]	–	–	–	–	–	–	–	(111)	(111)	–	–	(111)
Other movements	–	–	–	–	–	–	24	19[5]	43	–	–	43
As at 31 December 2020	**21,120**	**40**	**(28)**	**442**	**82**	**5**	**(4,053)**	**11,286**	**28,894**	**3,000**	**1,254**	**33,148**

1 Includes capital reserve of $35 million, capital redemption reserve of $5 million

2 Comprises actuarial loss, net of taxation $8 million and nil share from associates and joint ventures ($142 million of actuarial loss and $2 million share of loss from associates and joint ventures for the year ended 31 December 2019)

3 Relates to deemed capital contribution from parent company arising from share-based payment net of taxation of $111 million (2019: $135 million deemed dividend distribution)

4 $7 million relates to release of non-controlling interest in Ori Pvt Limited and Sirat Holdings Limited due to change in ownership. $27 million relates to prior year opening reserve adjustment

5 Includes $24 million loss related to prior period adjustments to reclass FX movements from translation reserve to retained earnings related to FX movements for monetary items, which were considered structural positions, offset by $34 million relating to prior year opening reserves adjustment and $9 million relating to revenue reserves of PT Bank Permata Tbk

Note 27 includes a description of each reserve.

The notes on pages 171 to 318 form an integral part of these financial statements.

Cash flow statement
For the year ended 31 December 2020

	Notes	Group 2020 $million	Group 2019 $million	Company 2020 $million	Company 2019 $million
Cash flows from operating activities:					
Profit before taxation		**536**	1,719	**255**	1,484[1]
Adjustments for non-cash items and other adjustments included within income statement	33	**2,651**	1,187	**1,462**	2,181[1]
Change in operating assets	33	**(15,363)**	(50,613)	**(3,622)**	27,141
Change in operating liabilities	33	**21,612**	61,424	**13,290**	(33,457)
Contributions to defined benefit schemes	29	**(87)**	(101)	**(75)**	(93)
UK and overseas taxes paid	10	**(689)**	(1,057)	**(418)**	(697)
Net cash from/(used in) operating activities		**8,660**	12,559	**10,892**	(3,441)
Cash flows from investing activities:					
Purchase of property, plant and equipment	17	**(170)**	(147)	**(69)**	(74)
Disposal of property, plant and equipment		**25**	12	**20**	9
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	31	**(41)**	–	**–**	–
Dividends received from subsidiaries, associates and joint ventures	31	**–**	3	**403**	–
Disposal of investment in subsidiaries and joint ventures, net of cash acquired		**1,066**	–	**1,281**	–
Purchase of investment securities		**(169,673)**	(142,046)	**(139,256)**	(112,413)
Disposal and maturity of investment securities		**175,603**	128,114	**141,611**	104,913
Net cash from/(used in)investing activities		**6,810**	(14,064)	**3,990**	(7,565)
Cash flows from financing activities:					
Issue of ordinary and preference share capital, net of expenses	27	**300**	–	**300**	–
Premises and equipment lease liability principal payment		**(113)**	(205)	**(92)**	(155)
Redemption of Additional Tier 1 instruments	27	**(2,000)**	–	**(2,000)**	–
Gross proceeds from issue of subordinated liabilities	33	**4,630**	1,540	**4,630**	1,000
Interest paid on subordinated liabilities	33	**(503)**	(1,656)	**(480)**	(1,629)
Repayment of subordinated liabilities	33	**(2,869)**	(1,024)	**(2,869)**	(1,000)
Proceeds from issue of senior debts	33	**1,984**	748	**650**	431
Repayment of senior debts	33	**(1,310)**	(1,821)	**(577)**	(1,736)
Interest paid on senior debts	33	**(15)**	(45)	**(14)**	(45)
Investment from non-controlling interests		**–**	1,051	**–**	–
Dividends paid to non-controlling interests, preference shareholders and AT1 securities		**(537)**	(497)	**(458)**	(441)
Dividends paid to ordinary shareholders		**–**	(3,403)	**–**	(3,403)
Net cash used in financing activities		**(433)**	(5,312)	**(910)**	(6,978)
Net increase/(decrease) in cash and cash equivalents		**15,037**	(6,817)	**13,972**	(17,984)
Cash and cash equivalents at beginning of the year		**60,155**	67,174	**41,873**	59,904
Effect of exchange rate movements on cash and cash equivalents		**718**	(202)	**306**	(47)
Cash and cash equivalents at end of the year		**75,910**	60,155	**56,151**	41,873

1 The 2019 company profit for the year includes a restatement of impairment in subsidiary undertakings, see Note 1 on page 171

Company statement of changes in equity
For the year ended 31 December 2020

	Share capital and share premium account $million	Capital and merger reserves $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings[1] $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2019	28,320	40[2]	322	(189)	47	(42)	(1,880)	6,385	33,003	5,000	–	38,003
Profit for the year[3]	–	–	–	–	–	–	–	878	878	–	–	878
Other comprehensive (loss)/income	–	–	(295)	217	18	15	(159)	(139)[4]	(343)	–	–	(343)
Share option expense, net of taxation	–	–	–	–	–	–	–	97	97	–	–	97
Dividends on ordinary shares	–	–	–	–	–	–	–	(393)	(393)	–	–	(393)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(441)	(441)	–	–	(441)
Dividend declared as a result of Group restructuring	–	–	–	–	–	–	–	(6,987)	(6,987)	–	–	(6,987)
Deemed distribution to parent[5]	–	–	–	–	–	–	–	(100)	(100)	–	–	(100)
Cancellation of shares	(7,500)	–	–	–	–	–	–	7,500	–	–	–	–
As at 31 December 2019	**20,820**	**40**	**27**	**28**	**65**	**(27)**	**(2,039)**	**6,800**	**25,714**	**5,000**	**–**	**30,714**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(141)**	**(141)**	**–**	**–**	**(141)**
Other comprehensive (loss)/income	**–**	**–**	**(52)**	**140**	**11**	**(5)**	**(56)**	**(4)[4]**	**34**	**–**	**–**	**34**
Shares issued, net of expenses	**300**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**300**	**–**	**–**	**300**
Redemption of Additional Tier 1 instruments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,000)**	**–**	**(2,000)**
Share option expense, net of taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**76**	**76**	**–**	**–**	**76**
Dividends on preference shares and AT1 securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(458)**	**(458)**	**–**	**–**	**(458)**
Deemed distribution to parent[5]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(65)**	**(65)**	**–**	**–**	**(65)**
Other movements	**–**	**–**	**–**	**–**	**–**	**–**	**132**	**(132)[6]**	**–**	**–**	**–**	**–**
As at 31 December 2020	**21,120**	**40**	**(25)**	**168**	**76**	**(32)**	**(1,963)**	**6,076**	**25,460**	**3,000**	**–**	**28,460**

1 Retained earnings are restated for prior years to reverse impairment in subsidiary undertakings. The impact of this reversal is an increase in retained earnings as at 31 December 2019 of $612 million, an increase in profit for 2019 of $224 million and an increase in retained earnings as at 31 December 2018 of $388 million

2 Includes capital reserve of $35 million, capital redemption reserve of $5 million

3 Includes a loss on sale of $475 million as a result of the Group reorganisation, being the difference between the historical cost and the fair value of the subsidiaries. For discontinued operations see Note 40

4 Includes actuarial loss, net of taxation $4 million (2019: Includes $139 million in actuarial loss)

5 Relates to deemed capital contribution of $65 million arising from share-based payment net of taxation (2019: $100 million deemed capital contribution)

6 Relates to prior period adjustments to reclass FX movements from translation reserve to retained earnings related to FX movements for monetary items, which were considered structural positions

Note 27 includes a description of each reserve.

The notes on pages 171 to 318 form an integral part of these financial statements.

Contents – Notes to the financial statements

Notes to the financial statements

1. Accounting policies

Statement of compliance

The Group financial statements consolidate Standard Chartered Bank (the Company) and its subsidiaries (together referred to as the Group) and equity account the Group's interests in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity.

The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU IFRS).

The Company financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements.

As the Group and the Company have early adopted 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2', which have been endorsed by the EU and UK in January 2021 (see 'New accounting standards adopted by the Group' below), they have applied international accounting standards which have been adopted for use within the UK.

The following parts of the Risk review and Capital review form part of these financial statements and are audited by the external auditors:

a) Risk review: Disclosures marked as 'audited' from the start of the Credit Risk section (page 54) to the end of the Other principal risks in the same section (page 122).

b) Capital review: 'CRD Capital base' table marked as 'audited', excluding 'Total risk-weighted assets' (page 153).

Basis of preparation

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

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

Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:

- Credit impairment, including evaluation of management overlays and post-model adjustments, and determination of probability weightings for Stage 3 individually assessed provisions (Note 8)
- Taxation (Note 10)
- Financial instruments measured at fair value (Note 12)
- Goodwill impairment (Note 16)
- Provisions for liabilities and charges (Note 23)
- Investments in subsidiary undertakings, joint ventures and associates (Note 31)

1. Accounting policies continued

Comparatives

The Company profit for 2019, Company balance sheet for 2019 and retained earnings as at 31 December 2019 have been restated to reverse impairments in subsidiary undertakings (Note 31) recorded in 2019 and 2018 respectively. The consequences of this are an increase in Company investments in subsidiary undertakings and retained earnings as at 31 December 2019 of $612 million, an increase in Company profit in 2019 of $224 million and an increase in Company retained earnings as at 1 January 2019 of $388 million. The impact of this restatement can be seen on the Company balance sheet on page 166, the Company cash flow statement on page 168 and note 31 on page 293.

Other comparatives have been represented in line with current year disclosures. Details of these changes are set out in the relevant sections and notes below:

- Note 2 Segmental information
- Note 12 Financial instruments
- Note 18 Leased assets
- Note 24 Contingent liabilities and commitments

New accounting standards adopted by the Group

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB published the second phase of its amendments to IFRS concerning the global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives. These amendments were endorsed by the EU on 14 January 2021 and by the UK Secretary of State for Business, Energy and Industrial Strategy on 5 January 2021. Phase 2 focuses on issues expected to affect financial reporting when an existing IBOR is replaced with an alternative risk-free rate (RFR). The Group has elected to early adopt the Phase 2 amendments for the year ended 31 December 2020.

The first phase of amendments were early-adopted for the year ended 31 December 2019, and continue to be in force until there is no longer uncertainty over the cash flows of both the hedged item and hedging instrument.

The Phase 2 amendments contain a practical expedient which requires changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform to be treated as a change in floating interest rate, provided that the transition from the IBOR benchmark to the alternative RFR takes place on an economically equivalent basis. This may include the addition of a fixed spread to compensate for a basis difference between the existing IBOR benchmark and alternative RFR, changes to reset period, reset dates or number of days between coupon payment dates that are necessary to effect reform of an IBOR benchmark and the addition of any fall-back provision to the contractual terms of a financial instrument that allow any of the above changes to be made.

The amendments also provide reliefs which allow the Group to change hedge designations and corresponding documentation without the hedge relationship being discontinued. These include the ability to:

- redefine the description of the hedged item and/or hedging instrument
- redefine the hedged risk to reference an alternative RFR
- change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform (for example, if the hedged item and hedging instrument are re-papered into the alternative RFR at different times).

Where an alternative RFR designated as a non-contractually specified risk portion is not separately identifiable (i.e. fair value hedge of a fixed rate debt instrument), the Group may assume that the alternative RFR is deemed have met that requirement provided it reasonably expected the alternative RFR will be separately identifiable within 24 months. The 24 month period begins individually for each benchmark, but if it is subsequently assessed that the alternative RFR is no longer expected to be separately identifiable within 24 months of the first hedge designation of a benchmark, then all hedges for that benchmark are discontinued prospectively.

Disclosures required under these amendments may be found in the Risk Profile section on page 149 and in Notes 12 and 13.

1. Accounting policies continued

Amendments to IFRS 16: Covid-19-Related Rent Concessions

In May 2020 the IASB issued amendments to IFRS 16 Leases, which were endorsed by the EU on 12 October 2020. The amendments are effective for annual reporting periods beginning on or after 1 June 2020, but the Group has elected to early adopt the amendments for the year ended 31 December 2020.

The amendments provide lessees of premises and equipment a practical expedient that permits them not to assess whether a rent concession granted as a direct consequence of the Covid-19 pandemic is accounted for as a lease modification. Entities may therefore account for such rent concessions by reducing the lease liability by the value of the concession, with a corresponding gain recorded in other income. A rent concession is only deemed a direct consequence of Covid-19 if all the following criteria are met:

- A change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due up to and including 30 June 2021 (this includes the case where the change results in reduced lease payments before this date and increased lease payments after this date); and
- There is no substantive change to other terms and conditions of the lease

The amendments have not had a material effect on the Group's financial statements, and do not result in any adjustment to opening retained earnings as of 1 January 2020.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations, which were endorsed by the EU in April 2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test

These amendments do not have a material effect on these financial statements as no transactions in scope of IFRS 3 have occurred during the period and no adjustment is required to opening retained earnings.

Conceptual Framework for Financial Reporting

In March 2018 the IASB published a revised Conceptual Framework for Financial Reporting, often referred to as the "Conceptual Framework", applicable to IFRS preparers for annual periods beginning on or after 1 January 2020. The Conceptual Framework provides guidance to preparers on determining accounting policies where no specific IFRS or IAS Standard applies to a particular transaction or where a Standard allows for an accounting policy choice. It includes limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality. The Conceptual Framework is not an IFRS Standard and does not replace any specific Standards. The changes in the Conceptual Framework are not considered material to the Group since all of the Group's significant accounting policies are derived from specific IFRS or IAS standards.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018 the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("the amendments"), applicable to IFRS preparers for annual periods beginning on or after 1 January 2020. The purpose is to align the definition of 'material' across the Standards and to clarify certain aspects of the definition. Information is 'material' if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The revised definition is already aligned to how the Group assesses whether the effect of a change in accounting policy, change in accounting estimate or error would be considered 'material' to the primary users of the Group's financial statements, hence these amendments have no specific effect on the preparation of these financial statements and are not expected to affect the preparation of future financial statements.

1. Accounting policies continued

New accounting standards in issue but not yet effective

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 to replace IFRS 4 Insurance Contracts and to establish a comprehensive standard for inceptors of insurance policies. The effective date has been deferred to 1 January 2023. The Group is assessing the likely implementation impact on adopting the standards on its financial statements.

Amendments to IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities

In May 2020 the IASB published its 2018-2020 annual improvements process which provides non-urgent but necessary amendments to IFRS. This publication included changes to IFRS 9 that will be effective prospectively from 1 January 2022, with early adoption permitted. Under these amendments, when assessing changes in terms of a financial liability, the only fees considered in the assessment of whether the terms of a new or modified financial liability are substantially different (i.e. a change in present value of more than 10%) from the terms of the original financial liability are fees paid or received between the borrower or lender. This includes fees paid or received by either the borrower or lender on the other's behalf. The effect of these amendments is not expected to be material to the Group's financial statements.

Going concern

These financial statements were approved by the Board of directors on 25 February 2021. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- A review of the Group Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget
- Consideration of stress testing performed by management, including a bespoke COVID-19 stress test with scenario analysis focused on mild, moderate, severe and extreme variants across the PLC Group's footprint markets (which includes the Group) to ensure that the Group has sufficient capital to withstand this shock. Under a range of scenarios, the results of these stress tests demonstrate that the PLC Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements
- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances
- A detailed review of all principal and emerging risks

Based on the analysis performed, the directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

2. Segmental information

Accounting policy

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team. The four client segments are Corporate & Institutional Banking, Retail Banking, Commercial Banking and Private Banking. The three geographic regions are ASEAN & South Asia, Africa & Middle East, and Europe & Americas. Activities not directly related to a client segment and/or geographic region are included in Central & other items. These mainly include Corporate Centre costs, treasury markets, treasury activities, certain strategic investments and the UK bank levy.

The following should also be noted:

- Transactions and funding between the segments are carried out on an arm's-length basis
- Corporate Centre costs represent stewardship and central management services roles and activities that are not directly attributable to business or country operations
- Treasury markets , joint ventures and associate investments are managed in the regions and are included within the applicable region. However, they are not managed directly by a client segment and are therefore included in the Central & other items segment

2. Segmental information continued

- In addition to treasury activities, Corporate Centre costs and other Group related functions, Central & other items for regions includes globally run businesses or activities that are managed by the client segments but not directly by geographic management. These include Principal Finance and Portfolio Management
- The Group allocated central costs (excluding Corporate Centre costs) relating to client segments and geographic regions using appropriate business drivers (such as in proportion to the direct cost base of each segment before allocation of indirect costs) and these are reported within operating expenses

Basis of preparation

The analysis reflects how the client segments and geographic regions are managed internally. This is described as the Management View (on an underlying basis) and is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. In certain instances this approach is not appropriate and a Financial View is disclosed, that is, the location in which the transaction or balance was booked. Typically, the Financial View is used in areas such as the Market and Liquidity Risk reviews where actual booking location is more important for an assessment. Segmental information is therefore on a Management View unless otherwise stated.

Restructuring items excluded from underlying results

The Group incurred net restructuring charges of $272 million in 2020 (2019: $129 million), of which $183 million (2019: $128 million) related to planned initiatives to reduce ongoing costs and $55 million (2019: $1 million) primarily related to the Group's Principal Finance business.

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

Profit before taxation (PBT)

	2020							
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gains on disposal of available for sale instruments $million	Gains arising on repurchase of senior and subordinated liabilities $million	Goodwill impairment $million	Share of profits of PT Bank Permata Tbk joint venture $million	Statutory $million
Operating income	9,285	–	(55)	6	–	–	–	9,236
Operating expenses	(6,294)	14	(183)	–	–	–	–	(6,463)
Operating profit/(loss) before impairment losses and taxation	2,991	14	(238)	6	–	–	–	2,773
Credit impairment	(1,948)	–	(28)	–	–	–	–	(1,976)
Other impairment	147	–	(6)	–	–	(403)	–	(262)
Profit from associates and joint ventures	1	–	–	–	–	–	–	1
Profit/(loss) before taxation	1,191	14	(272)	6	–	(403)	–	536

	2019							
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Net gains on disposal of available for sale instruments $million	Losses arising on repurchase of senior and subordinated liabilities $million	Goodwill impairment $million	Share of profits of PT Bank Permata Tbk joint venture $million	Statutory $million
Operating income	9,434	–	1	–	(57)	–	–	9,378
Operating expenses	(6,627)	(226)	(128)	–	–	–	–	(6,981)
Operating profit/(loss) before impairment losses and taxation	2,807	(226)	(127)	–	(57)	–	–	2,397
Credit impairment	(697)	–	(2)	–	–	–	–	(699)
Other impairment	(11)	–	–	–	–	(23)	–	(34)
Profit from associates and joint ventures	7	–	–	–	–	–	48	55
Profit/(loss) before taxation	2,106	(226)	(129)	–	(57)	(23)	48	1,719

2. Segmental information continued

Underlying performance by client segment

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	5,039	2,171	928	339	808	9,285
External	5,158	1,774	997	236	1,120	9,285
Inter-segment	(119)	397	(69)	103	(312)	–
Operating expenses	(3,023)	(1,663)	(558)	(277)	(773)	(6,294)
Operating profit before impairment losses and taxation	2,016	508	370	62	35	2,991
Credit impairment	(1,133)	(504)	(284)	(4)	(23)	(1,948)
Other impairment	279	(10)	(1)	–	(121)	147
Profit from associates and joint ventures	–	–	–	–	1	1
Underlying profit/(loss) before taxation	1,162	(6)	85	58	(108)	1,191
Restructuring	(109)	(38)	(33)	(11)	(81)	(272)
Goodwill impairment & other items	–	–	–	–	(383)	(383)
Statutory profit/(loss) before taxation	1,053	(44)	52	47	(572)	536
Total assets	269,223	34,151	17,941	8,583	183,695	513,593
Total liabilities	322,215	49,232	19,555	12,526	76,917	480,445

	2019 (Restated)[1]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	4,869	2,334	1,025	366	840	9,434
External	5,047	2,038	1,208	226	915	9,434
Inter-segment	(178)	296	(183)	140	(75)	–
Operating expenses	(3,183)	(1,798)	(597)	(325)	(724)	(6,627)
Operating profit before impairment losses and taxation	1,686	536	428	41	116	2,807
Credit impairment	(457)	(175)	(96)	34	(3)	(697)
Other impairment	(5)	1	–	–	(7)	(11)
Profit from associates and joint ventures	–	–	–	–	7	7
Underlying profit before taxation	1,224	362	332	75	113	2,106
Restructuring	(59)	(17)	(2)	(10)	(41)	(129)
Goodwill impairment & other items	–	–	–	–	(258)	(258)
Statutory profit/(loss) before taxation	1,165	345	330	65	(186)	1,719
Total assets	253,694	34,550	19,692	9,179	169,303	486,418
Total liabilities	302,035	46,837	17,877	11,814	72,814	451,377

1 Following some reorganisation of certain clients, there has been a reclassification of balances across client segments

Operating income by client segment

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Underlying operating income	5,039	2,171	928	339	808	9,285
Restructuring	(52)	–	11	–	(14)	(55)
Other items	–	–	–	–	6	6
Statutory operating income	4,987	2,171	939	339	800	9,236

2. Segmental information continued

	2019 (Restated)[1]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Underlying operating income	4,869	2,334	1,025	366	840	9,434
Restructuring	–	–	1	–	–	1
Other items	–	–	–	–	(57)	(57)
Statutory operating income	4,869	2,334	1,026	366	783	9,378

1 Following some reorganisation of certain clients, there has been a reclassification of balances across client segments

Underlying performance by region

	2020				
	ASEAN & South Asia $million	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items[1] $million**	**Total $million**
Operating income	**4,337**	**2,356**	**2,065**	**527**	**9,285**
Operating expenses	**(2,608)**	**(1,672)**	**(1,286)**	**(728)**	**(6,294)**
Operating profit/(loss) before impairment losses and taxation	**1,729**	**684**	**779**	**(201)**	**2,991**
Credit impairment	**(1,130)**	**(654)**	**(171)**	**7**	**(1,948)**
Other impairment	**163**	**(14)**	**8**	**(10)**	**147**
Profit from associates and joint ventures	**–**	**–**	**–**	**1**	**1**
Underlying profit/(loss) before taxation	**762**	**16**	**616**	**(203)**	**1,191**
Restructuring	**(41)**	**(87)**	**(32)**	**(112)**	**(272)**
Goodwill impairment & other items	**–**	**–**	**–**	**(383)**	**(383)**
Statutory profit/(loss) before taxation	**721**	**(71)**	**584**	**(698)**	**536**
Total assets	**155,961**	**58,068**	**263,258**	**36,306**	**513,593**
Total liabilities	**134,859**	**39,977**	**217,964**	**87,645**	**480,445**

1 As a result of the transfer of the majority of Greater China and North Asia (GCNA) subsidiaries to PLC Group, the remaining GCNA region has been included in Central & other items region

	2019				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items[1] $million	Total $million
Operating income	4,179	2,551	1,829	875	9,434
Operating expenses	(2,669)	(1,746)	(1,435)	(777)	(6,627)
Operating profit before impairment losses and taxation	1,510	805	394	98	2,807
Credit impairment	(504)	(132)	(101)	40	(697)
Other impairment	(1)	1	–	(11)	(11)
Profit from associates and joint ventures	–	–	–	7	7
Underlying profit before taxation	1,005	674	293	134	2,106
Restructuring	(33)	(18)	(32)	(46)	(129)
Goodwill impairment & other items	48	–	–	(306)	(258)
Statutory profit/(loss) before taxation	1,020	656	261	(218)	1,719
Total assets	149,839	59,801	230,149	46,629	486,418
Total liabilities	126,214	36,141	224,298	64,724	451,377

1 As a result of the transfer of the majority of Greater China and North Asia (GCNA) subsidiaries to PLC Group, the remaining GCNA region has been included in Central & other items region

2. Segmental information continued

Operating income by region

	2020				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	4,337	2,356	2,065	527	9,285
Restructuring	(3)	(1)	–	(51)	(55)
Other items	–	–	–	6	6
Statutory operating income	4,334	2,355	2,065	482	9,236

	2019				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Underlying operating income	4,179	2,551	1,829	875	9,434
Restructuring	(2)	–	–	3	1
Other items	–	–	–	(57)	(57)
Statutory operating income	4,177	2,551	1,829	821	9,378

Additional segmental information (statutory)

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Net interest income	1,820	1,313	582	160	225	4,100
Net fees and commission income	918	756	194	143	(6)	2,005
Net trading and other income	2,249	102	163	36	581	3,131
Operating income	4,987	2,171	939	339	800	9,236

	2019 (Restated)[1]					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Net interest income	1,722	1,444	549	189	567	4,471
Net fees and commission income	1,244	785	193	140	(26)	2,336
Net trading and other income	1,903	105	284	37	242	2,571
Operating income	4,869	2,334	1,026	366	783	9,378

1 Following some reorganisation of certain clients, there has been a reclassification of balances across client segments

	2020				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	2,058	1,224	336	482	4,100
Net fees and commission income	1,010	525	523	(53)	2,005
Net trading and other income	1,266	606	1,206	53	3,131
Operating income	4,334	2,355	2,065	482	9,236

	2019				
	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Net interest income	2,080	1,458	169	764	4,471
Net fees and commission income	1,123	611	517	85	2,336
Net trading and other income	974	482	1,143	(28)	2,571
Operating income	4,177	2,551	1,829	821	9,378

2. Segmental information continued

	2020				
	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	664	664	281	82	170
Net fees and commission income	522	195	111	54	379
Net trading and other income	350	379	173	946	241
Operating income	1,536	1,238	565	1,082	790

	2019				
	Singapore $million	India $million	UAE $million	UK $million	US $million
Net interest income	716	564	365	(192)	256
Net fees and commission income	559	235	140	75	359
Net trading and other income	337	233	109	978	150
Operating income	1,612	1,032	614	861	765

3. Net interest income

Accounting Policy

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instruments original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost that have become credit-impaired subsequent to initial recognition (stage 3) and have had amounts written off, is recognised using the credit adjusted effective interest rate. This rate is calculated in the same manner as the effective interest rate except that expected credit losses are included in the expected cash flows. Interest income is therefore recognised on the amortised cost of the financial asset including expected credit losses. Should the credit risk on a stage 3 financial asset improve such that the financial asset is no longer considered credit-impaired, interest income recognition reverts to a computation based on the rehabilitated gross carrying value of the financial asset.

	2020 $million	2019 $million
Balances at central banks	90	302
Loans and advances to banks	552	1,184
Loans and advances to customers	5,052	6,677
Listed debt securities	1,160	1,486
Unlisted debt securities	454	580
Other eligible bills	423	530
Accrued on impaired assets (discount unwind)	76	72
Interest income	7,807	10,831
Of which: financial instruments held at fair value through other comprehensive income	1,397	2,001
Deposits by banks	156	636
Customer accounts	2,721	4,771
Debt securities in issue	251	493
Subordinated liabilities and other borrowed funds	540	410
Interest expense on IFRS 16 lease liabilities	39	50
Interest expense	3,707	6,360
Net interest income	4,100	4,471

4. Net fees and commission

Accounting policy

Fees and commissions charged for services provided by the Group are recognised as or when the service is completed or significant act performed.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants.

The Group can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

The Group applies the following practical expedients:

- information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year
- promised consideration is not adjusted for the effects of a significant financing component as the period between the Group providing a service and the customer paying for it is expected to be less than one year
- incremental costs of obtaining a fee-earning contract are recognised upfront in ‘Fees and commission expense’ rather than amortised, if the expected term of the contract is less than one year

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Group recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Group recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided.

Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Group have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Financial Markets and Corporate Finance

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed.

Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned

Retail Products

The Group recognises most income at the point in time the Group is entitled to the fee, since most services are provided at the time of the customer’s request.

Credit card annual fees are recognised at the time the fee is received since in most of our retail markets there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. The Group defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

4. Net fees and commission continued

	2020 $million	2019 $million
Fees and commissions income	2,601	2,752
Of which:		
Financial instruments that are not fair valued through profit or loss	873	1,203
Trust and other fiduciary activities	127	63
Fees and commissions expense	(596)	(416)
Of which:		
Financial instruments that are not fair valued through profit or loss	(175)	(98)
Trust and other fiduciary activities	(4)	(3)
Net fees and commission	2,005	2,336

	2020					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Transaction Banking	700	4	142	–	–	846
Trade	329	4	110	–	–	443
Cash Management	371	–	32	–	–	403
Financial Markets[1]	41	–	27	–	–	68
Corporate Finance	126	–	19	1	–	146
Lending and Portfolio Management	50	–	6	–	–	56
Principal Finance	1	–	–	–	–	1
Wealth Management	–	555	–	137	–	692
Retail Products	–	197	–	5	–	202
Treasury	–	–	–	–	(1)	(1)
Others	–	–	–	–	(5)	(5)
Net fees and commission	918	756	194	143	(6)	2,005

	2019					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Transaction Banking	783	5	145	–	–	933
Trade	369	5	114	–	–	488
Cash Management	414	–	31	–	–	445
Financial Markets[1]	238	–	17	–	–	255
Corporate Finance	155	–	20	2	–	177
Lending and Portfolio Management	75	–	11	–	–	86
Principal Finance	(7)	–	–	–	–	(7)
Wealth Management	–	543	–	134	–	677
Retail Products	–	238	–	4	–	242
Treasury	–	–	–	–	(2)	(2)
Others	–	(1)	–	–	(24)	(25)
Net fees and commission	1,244	785	193	140	(26)	2,336

1 Following a reorganisation, there has been a reclassification of balances relating to Securities Services from Transaction Banking to Financial Markets included in prior period numbers. There is no change in the total income

Upfront bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates. Deferred income on the balance sheet in respect of these activities is $718 million (31 December 2019: $802 million). The income will be earned evenly over the next 8.5 years (31 December 2019: 9.5 years). For the twelve months ended 31 December 2020, $84 million of fee income was released from deferred income (31 December 2019: $84 million).

5. Net trading income

Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

	2020 $million	2019 $million
Net trading income	2,606	2,384
Significant items within net trading income include:		
Gains on instruments held for trading[1]	2,205	2,448
Gains on financial assets mandatorily at fair value through profit or loss	619	1,464
(Losses)/gains on financial assets designated at fair value through profit or loss	(5)	27
Losses on financial liabilities designated at fair value through profit or loss	(171)	(1,463)

1 Includes $275 million loss (31 December 2019 $246 million gain) from the transaction of foreign currency monetary assets and liabilities

6. Other operating income

Accounting policy

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Dividends on equity instruments are recognised when the Group's right to receive payment is established.

On disposal of fair value through other comprehensive income debt instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense.

When the Group loses control of the subsidiary or disposal group, the difference between the consideration received and the carrying amount of the subsidiary or disposal group is recognised as a gain or loss on sale of the business.

	2020 $million	2019 $million
Other operating income includes:		
Rental income from operating lease assets	2	2
Gains less losses on disposal of fair value through other comprehensive income debt instruments	353	144
Gains less losses on amortised cost financial assets	2	(37)
Net gain on sale of businesses	6	–
Dividend income	56	47
Other	106	31
Other operating income	525	187

7. Operating expenses

Accounting policy

Short-term employee benefits: salaries and social security expenses are recognised over the period in which the employees provide the service. Variable compensation is included within share-based payments costs and wages and salaries.

Pension costs: contributions to defined contribution pension schemes are recognised in profit or loss when payable. For defined benefit plans, net interest expense, service costs and expenses are recognised in the income statement. Further details are provided in Note 29.

7. Operating expenses continued

Share-based compensation: the Group operates equity-settled and cash-settled share-based payment compensation plans. The fair value of the employee services (measured by the fair value of the option granted) received in exchange for the grant of the options is recognised as an expense. Further details are provided in Note 30.

	2020 $million	2019 $million
Staff costs:		
Wages and salaries	**3,957**	4,059
Social security costs	**116**	128
Other pension costs (Note 29)	**263**	264
Share-based payment costs	**119**	137
Other staff costs	**673**	657
	5,128	5,245

Other staff costs include redundancy expenses of $125 million (31 December 2019: $116 million). Further costs in this category include training, travel costs and other staff related costs.

The following table summarises the number of employees within the Group and Company:

Group

	2020			2019[1]		
	Business	Support services	Total	Business	Support services	Total
At 31 December	**22,507**	**43,343**	**65,850**	23,452	42,172	65,624
Average for the year	**23,722**	**42,740**	**66,462**	23,770	41,406	65,176

1 Prior year headcount has been re-presented due to a change in management view of segments

Company

	2020			2019[1]		
	Business	Support services	Total	Business	Support services	Total
At 31 December	**9,567**	**11,918**	**21,485**	9,970	11,752	21,722
Average for the year	**9,759**	**12,073**	**21,832**	10,183	12,069	22,252

1 Prior year headcount has been re-presented due to a change in management view of segments

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in Note 38 Remuneration of Directors' (page 302).

Transactions with directors, officers and other related parties are disclosed in Note 35.

	2020 $million	2019 $million
Premises and equipment expenses	**249**	249
General administrative expenses:		
UK bank levy	**331**	347
Provision for regulatory matters	**(14)**	226
Other general administrative expenses	**97**	285
	414	858
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**168**	176
Equipment	**91**	77
	259	253
Intangibles:		
Software	**409**	367
Acquired on business combinations	**4**	9
	672	629
Total operating expenses	**6,463**	6,981

7. Operating expenses continued

The UK bank levy is applied on the chargeable equity and liabilities on the Group's consolidated balance sheet. Key exclusions from chargeable equity and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting. The rate of the levy for 2020 is 0.14 per cent for chargeable short-term liabilities, with a lower rate of 0.07 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). From 1 January 2021 the rates are 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities. In addition, the scope of the UK bank levy is restricted to the balance sheet of UK operations only from this date.

8. Credit impairment

Accounting policy

Significant accounting estimates and judgements

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements in determining expected credit loss include:

- The Group's criteria for assessing if there has been a significant increase in credit risk;
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables;
- Evaluation of management overlays and post-model adjustments;
- Determination of probability weightings for Stage 3 individually assessed provisions

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining expected credit loss can be found in the credit risk section, under IFRS 9 Methodology (page 54).

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss (page 101).

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Measurement

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. Further details on the components of PD, LGD and EAD are disclosed in the Credit risk section. For less material Retail Banking loan portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the Group's most likely forecast of macroeconomic assumptions.

8. Credit impairment continued

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Group's exposure to credit risk is not limited to the contractual period. For these instruments, the Group estimates an appropriate life based on the period that the Group is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement.

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired instruments (POCI)) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Instruments	Location of expected credit loss provisions
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value[1]
Financial assets held FVOCI – Debt instruments	Other comprehensive income (FVOCI expected credit loss reserve)[2]
Loan commitments	Provisions for liabilities and charges[3]
Financial guarantees	Provisions for liabilities and charges[3]

1 Purchased or originated credit-impaired assets do not attract an expected credit loss provision on initial recognition. An expected credit loss provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition

2 Debt and treasury securities classified as fair value through other comprehensive income (FVOCI) are held at fair value on the face of the balance sheet. The expected credit loss attributed to these instruments is held as a separate reserve within other comprehensive income (OCI) and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised

3 Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as a liability provision

Recognition

12 months expected credit losses (stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

8. Credit impairment continued

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

Credit-impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired.

- Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions (page 79);
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

Lending commitments to a credit-impaired obligor that have not yet been drawn down are included to the extent that the commitment cannot be withdrawn. Loss provisions against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the expected cash shortfalls, discounted at the instrument's original effective interest rate, and the gross carrying value (including contractual interest due but not paid) of the instrument prior to any credit impairment. The Group's definition of default is aligned with the regulatory definition of default as set out in European Capital Requirements Regulation (CRR178) and related guidelines.

Expert credit judgement

For Corporate & Institutional, Commercial and Private Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will normally be performed by Group Special Assets Management (GSAM).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit-impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as stage 3.

For individually significant financial assets within stage 3, GSAM will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo political climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/ forbearance/ modification options. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/ forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant, such as the Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail Banking clients are considered credit-impaired where they are more 90 days past due. Retail Banking products are also considered credit-impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Group that are considered credit-impaired, the account may be also be credit-impaired.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

8. Credit impairment continued

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised (an instrument is derecognised when a modification results in a change in cash flows that the Group would consider substantial), the resulting modification loss is recognised within credit impairment in the income statement with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the bank would not otherwise consider, the instrument is considered to be credit-impaired and is considered forborne.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed (by comparison to the origination date) to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third-party including government sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit-impaired if there is a detrimental impact on cash flows. The modification loss (see Classification and measurement – Modifications) is recognised in the profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount. The modified loan is disclosed as 'Loans subject to forbearance – credit-impaired'.

Loans that have been subject to a forbearance modification, but which are not considered credit-impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit-impaired'. This may include amendments to covenants within the contractual terms.

Write-offs of credit-impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for credit impairment in the income statement.

Loss provisions on purchased or originated credit-impaired instruments (POCI)

The Group measures expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Group recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and as impairment loss where the expected credit losses are greater).

Improvement in credit risk/curing

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12-month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

8. Credit impairment continued
A forborne loan can only be removed from being disclosed as forborne if the loan is performing (stage 1 or 2) and a further two-year probation period is met.

In order for a forborne loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default based upon the forborne contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding (except for ECL)

Subsequent to the criteria above, a further two-year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

	2020 $million	2019 $million
Net credit impairment on loans and advances to banks and customers	1,858	648
Net credit impairment against profit or loss during the period relating to debt securities	32	7
Net credit impairment relating to financial guarantees and loan commitments	88	36
Net credit impairment relating to other financial assets	(2)	8
Credit impairment[1]	**1,976**	699

1 No material purchased or originated credit-impaired (POCI) assets

9. Goodwill and other impairment

Accounting policy
Refer to the below referenced notes for the relevant accounting policy

	2020 $million	2019 $million
Impairment of goodwill (Note 16)	403	23
Impairment of other intangible assets (Note 16)	15	12
Other[1]	(156)	(1)
Other impairment	**(141)**	11
Goodwill and other impairment	262	34

1 Includes a reversal of $165 million as a result of a recovery on a disputed derivative receivable, following a favourable court ruling

10. Taxation

Accounting policy

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance sheet date, and that are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where permitted, deferred tax assets and liabilities are offset on an entity basis and not by component of deferred taxation.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

Significant accounting estimates and judgements

- Determining the Group's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Group's view on settling with the relevant tax authorities
- The Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable. In making its estimates, the Group assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all relevant information
- The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised

The following table provides analysis of taxation charge in the year:

	2020 $million	2019 $million
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 19 per cent (2019: 19 per cent):		
Current tax charge on income for the year	–	–
Adjustments in respect of prior years (including double tax relief)	(44)	(9)
Foreign tax:		
Current tax charge on income for the year	709	887
Adjustments in respect of prior years	(337)	(4)
	328	874
Deferred tax:		
Origination/reversal of temporary differences	(117)	(37)
Adjustments in respect of prior years	303	(41)
	186	(78)
Tax on profits on ordinary activities	514	796
Effective tax rate	95.9%	46.3%

The tax charge for the year of $514 million (31 December 2019: $796 million) on a profit before tax of $536 million (31 December 2019: $1,719 million) reflects the impact of non-deductible expenses, non-creditable withholding tax, non-deductible goodwill impairment and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India. The 2019 charge reflected the impact of non-deductible expenses, non-creditable withholding taxes and the impact of countries with tax rates higher or lower than the UK, the most significant of which is India.

The adjustments in respect of prior years include $288 million between current and deferred tax, relating to the treatment of loan impairments in India as deductible in the period they are impaired.

10. Taxation continued

Tax rate: The tax charge for the year is higher than the charge at the rate of corporation tax in the UK, 19 per cent. The differences are explained below:

	2020 $million	2019 $million
Profit on ordinary activities before tax	**536**	1,719
Tax at 19 per cent (2019: 19 per cent)	**102**	327
Lower tax rates on overseas earnings	**(22)**	(48)
Higher tax rates on overseas earnings	**269**	278
Non-creditable withholding taxes	**121**	104
Tax free income	**(69)**	(67)
Share of associates and joint ventures	**–**	(10)
Non-deductible expenses	**219**	231
Provision for regulatory matters	**–**	27
Bank levy	**63**	66
Non-taxable losses on investments	**14**	6
Payments on financial instruments in reserves	**(73)**	(66)
Goodwill impairment	**77**	4
Deferred tax not recognised	**7**	(6)
Deferred tax assets written-off	**15**	30
Deferred tax rate changes	**(51)**	13
Adjustments to tax charge in respect of prior years	**(78)**	(54)
Other items	**(80)**	(39)
Tax on profit on ordinary activities	**514**	796

Factors affecting the tax charge in future years: The Group's tax charge, and effective tax rate in future years could be affected by several factors including acquisitions, disposals and restructuring of our businesses, the mix of profits across jurisdictions with different statutory tax rates, changes in tax legislation and tax rates and resolution of uncertain tax positions.

The evaluation of uncertain tax positions involves an interpretation of local tax laws which could be subject to challenge by a tax authority, and an assessment of whether the tax authorities will accept the position taken. The Group does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk of resulting in a material adjustment within the next financial year.

	2020			2019		
Tax recognised in other comprehensive income	Current tax $million	Deferred tax $million	Total $million	Current tax $million	Deferred tax $million	Total $million
Items that will not be reclassified to income statement	**–**	**(14)**	**(14)**	15	7	22
Own credit adjustment	**–**	**2**	**2**	17	14	31
Equity instruments at fair value through other comprehensive income	**–**	**(26)**	**(26)**	5	(11)	(6)
Retirement benefit obligations	**–**	**10**	**10**	(7)	4	(3)
Items that may be reclassed subsequently to income statement	**(1)**	**(46)**	**(47)**	2	(52)	(50)
Debt instruments at fair value through other comprehensive income	**(1)**	**(62)**	**(63)**	2	(30)	(28)
Cash flow hedges	**–**	**16**	**16**	–	(22)	(22)
Total tax (charge)/credit recognised in equity	**(1)**	**(60)**	**(61)**	17	(45)	(28)

10. Taxation continued

Current tax: The following are the movements in current tax during the year:

	Group		Company	
Current tax comprises:	**2020 $million**	2019 $million	**2020 $million**	2019 $million
Current tax assets	**532**	492	**326**	284
Current tax liabilities	**(449)**	(686)	**(259)**	(265)
Net current tax opening balance	**83**	(194)	**67**	19
Movements relating to Discontinued Operations	**–**	74	**–**	–
Movements in income statement	**(328)**	(874)	**(145)**	(681)
Movements in other comprehensive income	**(1)**	17	**–**	17
Taxes paid	**689**	1,057	**418**	697
Other movements	**20**	3	**15**	15
Net current tax balance as at 31 December	**463**	83	**355**	67
Current tax assets	**808**	532	**605**	326
Current tax liabilities	**(345)**	(449)	**(250)**	(259)
Total	**463**	83	**355**	67

Deferred tax: The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

Group

	At 1 January 2020 $million	**Exchange & other adjustments $million**	**(Charge)/ credit to profit $million**	**(Charge)/ credit to equity $million**	**At 31 December 2020 $million**
Deferred tax comprises:					
Accelerated tax depreciation	**(302)**	**(1)**	**51**	**–**	**(252)**
Impairment provisions on loans and advances	**854**	**(19)**	**(530)**	**–**	**305**
Tax losses carried forward	**94**	**(2)**	**51**	**–**	**143**
Fair value through other comprehensive income assets	**(33)**	**1**	**(2)**	**(88)**	**(122)**
Cash flow hedges	**(22)**	**(1)**	**–**	**16**	**(7)**
Own credit adjustment	**(2)**	**1**	**–**	**2**	**1**
Retirement benefit obligations	**18**	**–**	**1**	**10**	**29**
Share-based payments	**(1)**	**1**	**14**	**–**	**14**
Other temporary differences	**(273)**	**1**	**229**	**1**	**(42)**
Net deferred tax assets	**333**	**(19)**	**(186)**	**(59)**	**69**

	At 1 January 2019 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2019 $million
Deferred tax comprises:					
Accelerated tax depreciation	(272)	(3)	(27)	–	(302)
Impairment provisions on loans and advances	841	(11)	24	–	854
Tax losses carried forward	69	1	24	–	94
Fair value through other comprehensive income assets	7	–	1	(41)	(33)
Cash flow hedges	(1)	1	–	(22)	(22)
Own credit adjustment	(16)	–	–	14	(2)
Retirement benefit obligations	25	(4)	(7)	4	18
Share-based payments	–	–	(1)	–	(1)
Other temporary differences	(329)	(8)	64	–	(273)
Net deferred tax assets	324	(24)	78	(45)	333

10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	2020			2019		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	(252)	25	(277)	(302)	12	(314)
Impairment provisions on loans and advances	305	277	28	854	845	9
Tax losses carried forward	143	137	6	94	85	9
Fair value through other comprehensive income assets	(122)	(37)	(85)	(33)	(24)	(9)
Cash flow hedges	(7)	(3)	(4)	(22)	(3)	(19)
Own credit adjustment	1	–	1	(2)	–	(2)
Retirement benefit obligations	29	27	2	18	15	3
Share-based payments	14	(1)	15	(1)	(1)	–
Other temporary differences	(42)	223	(265)	(273)	(99)	(174)
Net deferred tax assets	69	648	(579)	333	830	(497)

Deferred tax: The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

Company

	At 1 January 2020 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2020 $million
Deferred tax comprises:					
Accelerated tax depreciation	(288)	(4)	41	–	(251)
Impairment provisions on loans and advances	814	(19)	(569)	–	226
Tax losses carried forward	72	–	34	–	106
Fair value through other comprehensive income assets	(26)	(1)	–	(62)	(89)
Cash flow hedges	(21)	1	–	17	(3)
Own credit adjustment	(2)	–	–	3	1
Retirement benefit obligations	10	–	1	10	21
Share-based payments	(1)	–	5	–	4
Other temporary differences	(279)	9	236	–	(34)
Net deferred tax assets	279	(14)	(252)	(32)	(19)

	At 1 January 2019 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2019 $million
Deferred tax comprises:					
Accelerated tax depreciation	(267)	(3)	(18)	–	(288)
Impairment provisions on loans and advances	784	(9)	39	–	814
Tax losses carried forward	37	1	34	–	72
Fair value through other comprehensive income assets	9	1	–	(36)	(26)
Cash flow hedges	–	(1)	–	(20)	(21)
Own credit adjustment	(15)	–	–	13	(2)
Retirement benefit obligations	23	(7)	(8)	2	10
Share-based payments	–	–	(1)	–	(1)
Other temporary differences	(316)	9	28	–	(279)
Net deferred tax assets	255	(9)	74	(41)	279

10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	2020			2019		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	**(251)**	**10**	**(261)**	(288)	12	(300)
Impairment provisions on loans and advances	**226**	**216**	**10**	814	816	(2)
Tax losses carried forward	**106**	**106**	**–**	72	72	–
Fair value through other comprehensive income assets	**(89)**	**(20)**	**(69)**	(26)	(17)	(9)
Cash flow hedges	**(3)**	**(3)**	**–**	(21)	(3)	(18)
Own credit adjustment	**1**	**–**	**1**	(2)	–	(2)
Retirement benefit obligations	**21**	**22**	**(1)**	10	10	–
Share-based payments	**4**	**(1)**	**5**	(1)	(1)	–
Other temporary differences	**(34)**	**156**	**(190)**	(279)	(175)	(104)
Net deferred tax assets	**(19)**	**486**	**(505)**	279	714	(435)

Group

As at 31 December 2020, the Group has net deferred tax assets of $69 million (31 December 2019: $333 million). The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Group's total deferred tax assets, $143 million relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

- $92 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of five years

The remaining deferred tax assets of $51 million relating to losses have arisen in other jurisdictions and are expected to be recovered in less than 10 years.

Company

As at 31 December 2020, the Company has net deferred tax liability of $(19) million (31 December 2019: $279 million). The recoverability of the Company's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

Of the Company's total deferred tax liability, $106 million asset relates to tax losses carried forward. These tax losses have arisen in individual legal entities and will be offset as future taxable profits arise in those entities.

- $92 million of the deferred tax assets relating to losses has arisen in the US. Management forecasts show that the losses are expected to be fully utilised over a period of five years

The remaining deferred tax assets of $14 million relating to losses have arisen in other jurisdictions and are expected to be recovered in less than 10 years.

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
No account has been taken of the following potential deferred tax assets/(liabilities):				
Withholding tax on unremitted earnings from overseas subsidiaries	**(159)**	(162)	**(67)**	(79)
Tax losses	**556**	427	**502**	371
Held-over gains on incorporation of overseas branches	**(180)**	(186)	**(180)**	(186)
Other temporary differences	**149**	83	**149**	77

11. Dividends

Accounting policy

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the year in which they are declared.

Dividends on ordinary equity shares are recorded in the year in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

The Court considers a number of factors which include the rate of recovery in the Group's financial performance, the macroeconomic environment, and opportunities to further invest in our business and grow profitably in our markets.

Ordinary equity shares

	2020		2019	
	Cents per share	**$million**	Cents per share	$million
Interim dividend declared and paid during the year	**–**	**–**	2.07	393[1]

1 Of which was split between two dividends, both paid out in the first half of 2019, of $141 million and $252 million

Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

Preference shares and Additional Tier 1 securities

Dividends on these preference shares and securities classified as equity are recorded in the period in which they are declared

	2020 $million	2019 $million
Non-cumulative redeemable preference shares:		
7.014 per cent preference shares of $5 each	**53**	53
6.409 per cent preference shares of $5 each	**20**	30
	73	83
Additional Tier 1 securities: Fixed rate resetting perpetual subordinated contingent convertible securities	**385**	358
	458	441

12. Financial instruments

Classification and measurement

Accounting policy

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss. Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI) characteristics. Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit Risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates

Whether financial assets are held at amortised cost, FVTPL or at FVOCI depends on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines, depending on the way the business is managed and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Group's management
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected
- The risks that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity

12. Financial instruments continued

The Group's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	• Providing financing and originating assets to earn interest income as primary income stream • Performing credit risk management activities • Costs include funding costs, transaction costs and impairment losses	• Corporate Lending • Corporate Finance • Transaction Banking • Retail Lending • Treasury Markets (Loans and Borrowings)	• Loans and advances • Debt securities
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	• Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities • Income streams come from interest income, fair value changes, and impairment losses	• Treasury Markets	• Derivatives • Debt securities
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on a fair value basis	• Assets held for trading • Assets that are originated, purchased, and sold for profit taking or underwriting activity • Performance of the portfolio is evaluated on a fair value basis • Income streams are from fair value changes or trading gains or losses	• Financial Markets • Syndication • All other business lines	• Derivatives • Trading portfolios • Financial Markets reverse repos

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("Hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Hold to collect and sell") are classified as held at FVOCI.

Both hold to collect business and a hold to collect and sell business model involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit Risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

12. Financial instruments continued

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading, including:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short-term
- Derivatives

Non-trading mandatorily at fair value through profit or loss, including:

- Instruments in a business which has a fair value business model (see the Group's business model assessment) which are not trading or derivatives
- Hybrid financial assets that contain one or more embedded derivatives
- Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics
- Equity instruments that have not been designated as held at FVOCI
- Financial liabilities that constitute contingent consideration in a business combination

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch').

Interest rate swaps have been acquired by the Group with the intention of significantly reducing interest rate risk on certain debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these debt securities have been designated at fair value through profit or loss.

Similarly, to reduce accounting mismatches, the Group has designated certain financial liabilities at fair value through profit or loss where the liabilities either:

- Have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered with the intention of significantly reducing interest rate risk; or
- Are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- Have been acquired to fund trading asset portfolios or assets

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a embedded derivative where the Group is not able to bifurcate and separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held.

12. Financial instruments continued

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at the date. The fair value of a liability includes the risk that the bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market Risk or credit Risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see Interest income and expense). Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income. Changes in expected credit losses are recognised in profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in profit or loss.

12. Financial instruments continued

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained, less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 per cent, or if less than 10 per cent, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the profit or loss.

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are considered to be modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates, among other factors.

Where derecognition of financial assets is appropriate (see Derecognition), the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit-impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

Gains and losses arising from modifications for credit reasons are recorded as part of 'Credit Impairment' (see Credit Impairment Policy). Modification gains and losses arising for non-credit reasons are recognised either as part of "Credit Impairment or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income. The movements in the applicable expected credit loss loan positions are disclosed in further detail in Risk Review.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9, changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform are treated as changes to a floating interest rate to that instrument, provided that the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. Where the instrument is measured at amortised cost or FVOCI, this results in a change in the instrument's effective interest rate, with no change in the amortised cost value of the instrument. If the change to the instrument does not meet these criteria, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

12. Financial instruments continued

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit and loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the profit or loss.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit and loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

12. Financial instruments continued

The Group's classification of its financial assets and liabilities is summarised in the following tables.

Group

Assets	Notes	Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
		Assets at fair value							
Cash and balances at central banks		–	–	–	–	–	–	58,117	58,117
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,133	–	1,638	–	–	2,771	–	2,771
Loans and advances to customers[1]		1,883	–	1,251	79	–	3,213	–	3,213
Reverse repurchase agreements and other similar secured lending	15	–	–	62,807	–	–	62,807	–	62,807
Debt securities, alternative tier one and other eligible bills		11,998	–	1,128	–	–	13,126	–	13,126
Equity shares		2,892	–	145	–	–	3,037	–	3,037
		17,906	–	66,969	79	–	84,954	–	84,954
Derivative financial instruments	13	68,457	768	–	–	–	69,225	–	69,225
Loans and advances to banks[1]	14	–	–	–	–	–	–	27,666	27,666
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	809	809
Loans and advances to customers[1]	14	–	–	–	–	–	–	140,861	140,861
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	2,919	2,919
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	71,322	71,322	14,437	85,759
Equity shares		–	–	–	–	328	328	–	328
		–	–	–	–	71,650	71,650	14,437	86,087
Other assets	19	–	–	–	–	–	–	25,873	25,873
Assets held for sale	20	–	–	–	5	–	5	83	88
Total at 31 December 2020		86,363	768	66,969	84	71,650	225,834	267,037	492,871

1 Further analysed in Risk review and Capital review (pages 51 to 153)

12. Financial instruments continued

Assets	Notes	Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
		Assets at fair value							
Cash and balances at central banks		–	–	–	–	–	–	43,926	43,926
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		118	–	3,272	–	–	3,390	–	3,390
Loans and advances to customers[1]		1,805	–	1,667	–	–	3,472	–	3,472
Reverse repurchase agreements and other similar secured lending	15	–	–	57,430	–	–	57,430	–	57,430
Debt securities, alternative tier one and other eligible bills		13,428	–	582	–	–	14,010	–	14,010
Equity shares		2,089	–	76	–	–	2,165	–	2,165
		17,440	–	63,027	–	–	80,467	–	80,467
Derivative financial instruments	13	48,362	521	–	–	–	48,883	–	48,883
Loans and advances to banks[1]	14	–	–	–	–	–	–	36,948	36,948
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	585	585
Loans and advances to customers[1]	14	–	–	–	–	–	–	139,181	139,181
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	1,339	1,339
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	77,170	77,170	12,061	89,231
Equity shares		–	–	–	–	735	735	–	735
		–	–	–	–	77,905	77,905	12,061	89,966
Other assets	19	–	–	–	–	–	–	20,385	20,385
Assets held for sale	20	–	–	64	243	–	307	70	377
Total at 31 December 2019		65,802	521	63,091	243	77,905	207,562	252,571	460,133

1 Further analysed in Risk review and Capital review (pages 51 to 153)

12. Financial instruments continued

Company

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Non-trading mandatorily at fair value through profit or loss $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Fair value through other comprehensive income $million	Assets at fair value: Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	46,476	46,476
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		1,133	–	1,638	–	–	2,771	–	2,771
Loans and advances to customers[1]		1,472	–	1,030	79	–	2,581	–	2,581
Reverse repurchase agreements and other similar secured lending	15	–	–	62,262	–	–	62,262	–	62,262
Debt securities, alternative tier one and other eligible bills		8,374	–	1,727	–	–	10,101	–	10,101
Equity shares		2,891	–	20	–	–	2,911	–	2,911
		13,870	–	66,677	79	–	80,626	–	80,626
Derivative financial instruments	13	68,154	756	–	–	–	68,910	–	68,910
Loans and advances to banks[1]	14	–	–	–	–	–	–	14,997	14,997
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	55	55
Loans and advances to customers[1]	14	–	–	–	–	–	–	72,969	72,969
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	2,283	2,283
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	57,996	57,996	12,876	70,872
Equity shares		–	–	–	–	230	230	–	230
		–	–	–	–	58,226	58,226	12,876	71,102
Other assets	19	–	–	–	–	–	–	23,495	23,495
Assets held for sale	20	–	–	–	5	–	5	83	88
Total at 31 December 2020		82,024	756	66,677	84	58,226	207,767	170,896	378,663

1 Further analysed in Risk review and Capital review (pages 51 to 153)

12. Financial instruments continued

Assets	Notes	Assets at fair value: Trading $million	Assets at fair value: Derivatives held for hedging $million	Assets at fair value: Non-trading mandatorily at fair value through profit or loss $million	Assets at fair value: Designated at fair value through profit or loss $million	Assets at fair value: Fair value through other comprehensive income $million	Assets at fair value: Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	34,734	34,734
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		118	–	2,953	–	–	3,071	–	3,071
Loans and advances to customers[1]		898	–	986	–	–	1,884	–	1,884
Reverse repurchase agreements and other similar secured lending	15	–	–	57,041	–	–	57,041	–	57,041
Debt securities, alternative tier one and other eligible bills		9,703	–	1,018	–	–	10,721	–	10,721
Equity shares		2,088	–	30	–	–	2,118	–	2,118
		12,807	–	62,028	–	–	74,835	–	74,835
Derivative financial instruments	13	48,009	515	–	–	–	48,524	–	48,524
Loans and advances to banks[1]	14	–	–	–	–	–	–	22,265	22,265
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	146	146
Loans and advances to customers[1]	14	–	–	–	–	–	–	76,845	76,845
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	1,179	1,179
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	61,161	61,161	10,487	71,648
Equity shares		–	–	–	–	193	193	–	193
		–	–	–	–	61,354	61,354	10,487	71,841
Other assets	19	–	–	–	–	–	–	17,750	17,750
Assets held for sale	20	–	–	–	–	–	–	70	70
Total at 31 December 2019		60,816	515	62,028	–	61,354	184,713	162,151	346,864

1 Further analysed in Risk review and Capital review (pages 51 to 153)

12. Financial instruments continued

Group

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	70	70	–	70
Customer accounts		–	–	6,753	6,753	–	6,753
Repurchase agreements and other similar secured borrowing	15	–	–	47,359	47,359	–	47,359
Debt securities in issue	21	–	–	4,360	4,360	–	4,360
Short positions		1,172	–	–	1,172	–	1,172
		1,172	–	58,542	59,714	–	59,714
Derivative financial instruments	13	68,584	484	–	69,068	–	69,068
Deposits by banks		–	–	–	–	23,761	23,761
Customer accounts		–	–	–	–	216,719	216,719
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	20	20
Debt securities in issue	21	–	–	–	–	29,356	29,356
Other liabilities	22	–	–	–	–	29,581	29,581
Subordinated liabilities and other borrowed funds	26	–	–	–	–	14,879	14,879
Total at 31 December 2020		69,756	484	58,542	128,782	314,316	443,098

Liabilities	Notes	Liabilities at fair value: Trading $million	Liabilities at fair value: Derivatives held for hedging $million	Liabilities at fair value: Designated at fair value through profit or loss $million	Liabilities at fair value: Total financial liabilities at fair value $million	Amortised cost $million	Total $million
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	348	348	–	348
Customer accounts		–	–	4,221	4,221	–	4,221
Repurchase agreements and other similar secured borrowing	15	–	–	45,820	45,820	–	45,820
Debt securities in issue	21	–	–	6,271	6,271	–	6,271
Short positions		1,659	–	–	1,659	–	1,659
		1,659	–	56,660	58,319	–	58,319
Derivative financial instruments	13	48,427	560	–	48,987	–	48,987
Deposits by banks		–	–	–	–	24,126	24,126
Customer accounts		–	–	–	–	210,262	210,262
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	178	178
Debt securities in issue	21	–	–	–	–	31,243	31,243
Other liabilities	22	–	–	–	–	24,247	24,247
Subordinated liabilities and other borrowed funds	26	–	–	–	–	13,029	13,029
Total at 31 December 2019		50,086	560	56,660	107,306	303,085	410,391

12. Financial instruments continued

Company

Liabilities	Notes	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Total financial liabilities at fair value $million	Amortised cost $million	Total $million
		Liabilities at fair value					
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	70	70	–	70
Customer accounts		–	–	6,639	6,639	–	6,639
Repurchase agreements and other similar secured borrowing	15	–	–	47,247	47,247	–	47,247
Debt securities in issue	21	–	–	4,203	4,203	–	4,203
Short positions		942	–	–	942	–	942
		942	–	58,159	59,101	–	59,101
Derivative financial instruments	13	68,000	423	–	68,423	–	68,423
Deposits by banks		–	–	–	–	18,482	18,482
Customer accounts		–	–	–	–	122,061	122,061
Debt securities in issue	21	–	–	–	–	27,661	27,661
Other liabilities	22	–	–	–	–	23,305	23,305
Subordinated liabilities and other borrowed funds	26	–	–	–	–	14,339	14,339
Total at 31 December 2020		68,942	423	58,159	127,524	205,848	333,372

Liabilities	Notes	Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Total financial liabilities at fair value $million	Amortised cost $million	Total $million
		Liabilities at fair value					
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	349	349	–	349
Customer accounts		–	–	4,032	4,032	–	4,032
Repurchase agreements and other similar secured borrowing	15	–	–	45,587	45,587	–	45,587
Debt securities in issue	21	–	–	6,050	6,050	–	6,050
Short positions		1,397	–	–	1,397	–	1,397
		1,397	–	56,018	57,415	–	57,415
Derivative financial instruments	13	47,964	483	–	48,447	–	48,447
Deposits by banks		–	–	–	–	19,232	19,232
Customer accounts		–	–	–	–	124,032	124,032
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	178	178
Debt securities in issue	21	–	–	–	–	30,748	30,748
Other liabilities	22	–	–	–	–	18,634	18,634
Subordinated liabilities and other borrowed funds	26	–	–	–	–	12,489	12,489
Total at 31 December 2019		49,361	483	56,018	105,862	205,313	311,175

Interest rate benchmark reform

The Group has elected to early-adopt the 'Interest Rate Benchmark Reform – Phase 2' amendments to IFRS for the year ending 31 December 2020, which apply to a financial instrument when its benchmark interest rate, such as USD LIBOR, is either replaced with an alternative risk-free rate (RFR) or the benchmark itself is reformed so that it depends on actual market transactions instead of panel bank submissions. Please refer to the accounting policy for modified financial instruments on page 199 which explains how the Group accounts for changes to a financial instrument as a result of interest rate benchmark reform.

12. Financial instruments continued

The Group also applies the 'Interest Rate Benchmark Reform – Phase 1' amendments, and the Phase 2 reliefs contain additional reliefs for hedge accounting. These are discussed in Note 13.

As at 31 December 2020 the Group and Company had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform. The Group and Company has excluded financial instruments maturing before 31 December 2021 as it is assumed these will not require reform, due to the expectation that the IBOR benchmarks the Group is exposed to will be published until at least this date.

Group

IBOR exposures by benchmark	USD LIBOR $million	EUR LIBOR $million	GBP LIBOR $million	JPY LIBOR $million	CHF LIBOR $million	EONIA $million	SGD SOR $million	THB FIX $million	Total IBOR $million
Assets									
Loans and advances to banks	1,774	–	55	–	–	–	–	–	1,829
Loans and advances to customers	23,959	601	2,129	–	44	–	1,967	33	28,733
Debt securities, AT1 and other eligible bills	3,027	170	1,386	–	–	–	365	–	4,948
	28,760	771	3,570	–	44	–	2,332	33	35,510
Liabilities									
Deposits by banks	8,982	–	402	–	–	–	12	–	9,396
Customer accounts	3,665	–	19	189	–	–	2	42	3,917
Repurchase agreements and other secured borrowing	1,195	–	–	–	–	–	–	–	1,195
Debt securities in issue	40	–	–	–	–	–	–	–	40
Subordinated liabilities and other borrowed funds	160	–	15	–	–	–	–	–	175
	14,042	–	436	189	–	–	14	42	14,723
Derivatives – Foreign exchange contracts									
Currency swaps and options	204,120	–	34,879	15,138	6,634	55	7,194	1,998	270,018
Derivatives – Interest rate contracts									
Swaps	903,517	73	112,195	25,589	13,402	4,850	77,268	28,121	1,165,015
Forward rate agreements and options	22,108	–	523	2,527	–	–	76	55	25,289
Exchange traded futures and options	63,239	–	1,445	–	–	–	–	–	64,684
Equity and stock index options	75	–	2	–	–	–	–	–	77
Credit derivative contracts	2,843	–	–	–	–	–	–	134	2,977
Total IBOR derivative exposure	1,195,902	73	149,044	43,254	20,036	4,905	84,538	30,308	1,528,060
Total IBOR exposure	1,238,704	844	153,050	43,443	20,080	4,905	86,884	30,383	1,578,293

12. Financial instruments continued

Company

IBOR exposures by benchmark	USD LIBOR $million	EUR LIBOR $million	GBP LIBOR $million	JPY LIBOR $million	CHF LIBOR $million	EONIA $million	SGD SOR $million	THB FIX $million	Total IBOR $million
Assets									
Loans and advances to banks	1,308	–	55	–	–	–	–	–	1,363
Loans and advances to customers	18,428	542	1,271	–	44	–	–	–	20,285
Debt securities, AT1 and other eligible bills	2,777	170	1,373	–	–	–	–	–	4,320
	22,513	712	2,699	–	44	–	–	–	25,968
Liabilities									
Deposits by banks	7,890	–	402	–	–	–	–	–	8,292
Customer accounts	3,520	–	19	189	–	–	–	–	3,728
Repurchase agreements and other secured borrowing	1,095	–	–	–	–	–	–	–	1,095
Debt securities in issue	16	–	–	–	–	–	–	–	16
Subordinated liabilities	160	–	15	–	–	–	–	–	175
	12,681	–	436	189	–	–	–	–	13,306
Derivatives – Foreign exchange contracts									
Currency swaps and options	189,525	–	34,375	14,944	6,634	55	2,602	–	248,135
Derivatives – Interest rate contracts									
Swaps	880,284	73	106,401	25,536	13,402	4,850	72,456	23,142	1,126,144
Forward rate agreements and options	21,658	–	523	2,527	–	–	76	30	24,814
Exchange traded futures and options	63,239	–	1,445	–	–	–	–	–	64,684
Equity and stock index options	75	–	2	–	–	–	–	–	77
Credit derivative contracts	2,832	–	–	–	–	–	–	–	2,832
Total IBOR derivative exposure	1,157,613	73	142,746	43,007	20,036	4,905	75,134	23,172	1,466,686
Total IBOR exposure	1,192,807	785	145,881	43,196	20,080	4,905	75,134	23,172	1,505,960

12. Financial instruments continued

Additionally, the Group and Company had off-balance sheet exposures in respect of partially undrawn credit lines that reference an IBOR benchmark. The table below only includes the undrawn portion of existing facilities that are known to reference at least one IBOR benchmark; it does not include facilities that have yet to be drawn down and not known whether the customer may choose to borrow funds linked to an IBOR benchmark.

Group: Off-balance sheet IBOR exposures	$million
USD LIBOR	6,240
EUR LIBOR	42
GBP LIBOR	729
CHF LIBOR	56
SGD SOR	206
THB FIX	1
Multi-currency facilities referencing LIBOR	1,325
Total off-balance sheet IBOR exposures	8,599

Company: Off-balance sheet IBOR exposures	$million
USD LIBOR	5,816
EUR LIBOR	38
GBP LIBOR	637
CHF LIBOR	56
SGD SOR	10
Multi-currency facilities referencing LIBOR	1,313
Total off-balance sheet IBOR exposures	7,870

'Multi-currency facilities referencing LIBOR' are facilities where the customer has a choice of two or more floating rates to draw down on and at least one of the floating rates available is a LIBOR benchmark.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In practice, for credit mitigation, the Group is able to offset assets and liabilities which do not meet the IAS 32 netting criteria set out below. Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repurchase and reverse repurchase transactions. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset but only in the event of default or other predetermined events.

In addition, the Group also receives and pledges readily realisable collateral for derivative transactions to cover net exposure in the event of a default. Under repurchase and reverse repurchase agreements the Group pledges (legally sells) and obtains (legally purchases) respectively, highly liquid assets which can be sold in the event of a default.

The following tables set out the impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

12. Financial instruments continued

Group

	2020					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	111,737	(42,512)	69,225	(52,308)	(9,184)	7,733
Reverse repurchase agreements and other similar secured lending	74,454	(7,919)	66,535	–	(66,535)	–
At 31 December 2020	186,191	(50,431)	135,760	(52,308)	(75,719)	7,733
Liabilities						
Derivative financial instruments	111,580	(42,512)	69,068	(52,308)	(10,940)	5,820
Repurchase agreements and other similar secured borrowing	55,298	(7,919)	47,379	–	(47,379)	–
At 31 December 2020	166,878	(50,431)	116,447	(52,308)	(58,319)	5,820

	2019					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	65,525	(16,642)	48,883	(31,106)	(7,604)	10,173
Reverse repurchase agreements and other similar secured lending	62,475	(3,121)	59,354	–	(59,354)	–
At 31 December 2019	128,000	(19,763)	108,237	(31,106)	(66,958)	10,173
Liabilities						
Derivative financial instruments	65,629	(16,642)	48,987	(31,106)	(8,780)	9,101
Repurchase agreements and other similar secured borrowing	49,119	(3,121)	45,998	–	(45,998)	–
At 31 December 2019	114,748	(19,763)	94,985	(31,106)	(54,778)	9,101

Company

	2020					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	111,422	(42,512)	68,910	(53,091)	(8,581)	7,238
Reverse repurchase agreements and other similar secured lending	72,519	(7,919)	64,600	–	(64,600)	–
At 31 December 2020	183,941	(50,431)	133,510	(53,091)	(73,181)	7,238
Liabilities						
Derivative financial instruments	110,935	(42,512)	68,423	(53,091)	(10,385)	4,947
Repurchase agreements and other similar secured borrowing	55,166	(7,919)	47,247	–	(47,247)	–
At 31 December 2020	166,101	(50,431)	115,670	(53,091)	(57,632)	4,947

12. Financial instruments continued

	2019					
				Related amount not offset in the balance sheet		
	Gross amounts of recognised financial instruments $million	Impact of offset in the balance sheet $million	Net amounts of financial instruments presented in the balance sheet $million	Financial instruments $million	Financial collateral $million	Net amount $million
Assets						
Derivative financial instruments	65,166	(16,642)	48,524	(31,092)	(7,328)	10,104
Reverse repurchase agreements and other similar secured lending	61,487	(3,121)	58,366	–	(58,366)	–
At 31 December 2019	126,653	(19,763)	106,890	(31,092)	(65,694)	10,104
Liabilities						
Derivative financial instruments	65,089	(16,642)	48,447	(31,092)	(8,367)	8,988
Repurchase agreements and other similar secured borrowing	48,887	(3,121)	45,765	–	(45,765)	–
At 31 December 2019	113,976	(19,763)	94,212	(31,092)	(54,132)	8,988

Related amounts not offset in the balance sheet comprises:

- Financial instruments not offset in the balance sheet but covered by an enforceable netting arrangement. This comprises master netting arrangements held against derivative financial instruments and excludes the effect of over-collateralisation
- Financial instruments where a legal opinion evidencing enforceability the right of offset may not have sought, or may have been unable to obtain
- Financial collateral comprises cash collateral pledged and received for derivative financial instruments and collateral bought and sold for reverse repurchase and repurchase agreements respectively and excludes the effect of over-collateralisation

Financial liabilities designated at fair value through profit or loss

	2020 $million	2019 $million
Carrying balance aggregate fair value	**58,542**	56,660
Amount contractually obliged to repay at maturity	**58,355**	56,431
Difference between aggregate fair value and contractually obliged to repay at maturity	**187**	229
Cumulative change in fair value accredited to credit risk difference	**(16)**	42

During 2020, the Group enhanced its valuation methodology for financial liabilities designated at fair value through profit or loss. The financial impact of the revision in methodology is a loss of $45,000 in net trading income and a loss in other comprehensive income of $88 million. These impacts are treated as a change in accounting estimate.

The net fair value loss on financial liabilities designated at fair value through profit or loss was $171 million for the year (31 December 2019: net loss of $1,463 million). Further details of the Group's own credit adjustment (OCA) valuation technique is described later in this note.

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Group.

12. Financial instruments continued

The Valuation Control function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Control function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Control performs a semi-annual review of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Group Market Risk, Product Control, Valuation Control and the business, which meets monthly to discuss and approve the independent valuations of the inventory. For Principal Finance, the Investment Committee meeting is held on a quarterly basis to review investments and valuations

Significant accounting estimates and judgements

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value
- In determining the valuation of financial instruments, the Group makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments (page 215)
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 215)

- **Financial instruments held at fair value**
  - **Debt securities – asset-backed securities:** Asset backed securities are valued based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third-party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings
  - **Debt securities in issue:** These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets
  - **Derivatives:** Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed

12. Financial instruments continued

- **Equity shares – private equity:** The majority of private equity unlisted investments are valued based on earning multiples – Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios – of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. To ensure comparability between these unquoted investments and the comparable listed companies, appropriate adjustments are also applied (for example, liquidity and size) in the valuation. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternative valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or Level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third-party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, Over-the-counter (OTC) prices) are classified as Level 3 on the basis that the valuation methods involve judgements ranging from determining comparable companies to discount rates where the discounted cash flow method is applied
- **Loans and advances:** These primarily include loans in the global syndications business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3
- **Other debt securities:** These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets

- **Financial instruments held at amortised cost**

The following sets out the Group's basis for establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not actively traded, there is a significant level of management judgement involved in calculating the fair values:

- **Cash and balances at central banks:** The fair value of cash and balances at central banks is their carrying amounts
- **Debt securities in issue, subordinated liabilities and other borrowed funds:** The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- **Deposits and borrowings:** The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity
- **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows

12. Financial instruments continued

- **Loans and advances to banks and customers:** For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- **Other assets:** Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments (described further below) in determining fair value for financial assets and financial liabilities are as follows:

	01.01.20 $million	Movement during the year $million	31.12.20 $million	01.01.19 $million	Movement during the year $million	31.12.19 $million
Bid-offer valuation adjustment	65	28	93	67	(2)	65
Credit Valuation adjustment	119	50	169	196	(77)	119
Debit Valuation adjustment	(36)	(9)	(45)	(143)	107	(36)
Model valuation adjustment	6	(1)	5	6	–	6
Funding Valuation adjustment	22	(7)	15	60	(38)	22
Other fair value adjustments	43	(16)	27	59	(16)	43
Total	219	45	264	245	(26)	219
Income deferrals						
Day 1 and other deferrals	81	16	97	100	(19)	81
Total	81	16	97	100	(19)	81

Note: Bracket represents an asset and credit to the income statement

- **Bid-offer valuation adjustment:** Generally, market parameters are marked on a mid-market basis in the revaluation systems, and a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems
- **Credit valuation adjustment (CVA):** The Group accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD. Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Group has implemented a model to capture this impact for key wrong-way exposures. The Group also captures the uncertainties associated with wrong-way risk in the Group's Prudential Valuation Adjustments framework

12. Financial instruments continued

- **Debit valuation adjustment (DVA):** The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Group's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements
- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- **Funding valuation adjustment (FVA):** The Group makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions
- **Other fair value adjustments:** The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades
- **Day one and other deferrals:** In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the own credit component (OCA) is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature. The OCA at 31 December 2020 is a loss of $16 million, (31 December 2019: $42 million gain).

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- **Level 1:** Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- **Level 2:** Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- **Level 3:** Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data

12. Financial instruments continued

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

Group

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,571	200	2,771
Loans and advances to customers	–	2,749	464	3,213
Reverse repurchase agreements and other similar secured lending	–	61,743	1,064	62,807
Debt securities and other eligible bills	2,440	10,491	195	13,126
Of which:				
Government bonds and treasury bills	2,281	6,693	–	8,974
Issued by corporates other than financial institutions[1]	48	2,201	193	2,442
Issued by financial institutions[1]	111	1,597	2	1,710
Equity shares	2,720	193	124	3,037
Derivative financial instruments	463	68,753	9	69,225
Of which:				
Foreign exchange	107	51,820	4	51,931
Interest rate	30	14,222	2	14,254
Credit	–	1,684	2	1,686
Equity and stock index options	–	55	1	56
Commodity	326	972	–	1,298
Investment securities				
Debt securities and other eligible bills	35,713	35,569	40	71,322
Of which:				
Government bonds and treasury bills	25,127	17,864	40	43,031
Issued by corporates other than financial institutions[1]	4,226	5,150	–	9,376
Issued by financial institutions[1]	6,360	12,555	–	18,915
Equity shares	68	5	255	328
Total financial instruments at 31 December 2020[2]	41,404	182,074	2,351	225,829
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	70	–	70
Customer accounts	–	6,756	(3)	6,753
Repurchase agreements and other similar secured borrowing	–	47,359	–	47,359
Debt securities in issue	–	4,236	124	4,360
Short positions	151	1,021	–	1,172
Derivative financial instruments	401	68,550	117	69,068
Of which:				
Foreign exchange	109	53,441	4	53,554
Interest rate	5	12,487	26	12,518
Credit	–	1,932	82	2,014
Equity and stock index options	–	151	5	156
Commodity	287	539	–	826
Total financial instruments at 31 December 2020[2]	552	127,992	238	128,782

1 Includes covered bonds of $4,594 million, securities issued by Multilateral Development Banks/International Organisations of $8,237 million and State-owned agencies and development banks of $2,771 million

2 The above table does not include held for sale assets of $5 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2020.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year

12. Financial instruments continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	3,025	365	3,390
Loans and advances to customers	–	3,316	156	3,472
Reverse repurchase agreements and other similar secured lending	–	57,430	–	57,430
Debt securities and other eligible bills	1,965	11,875	170	14,010
Of which:				
Government bonds and treasury bills	1,816	7,081	–	8,897
Issued by corporates other than financial institutions[1]	5	3,578	170	3,753
Issued by financial institutions[1]	144	1,216	–	1,360
Equity shares	2,119	–	46	2,165
Derivative financial instruments	464	48,404	15	48,883
Of which:				
Foreign exchange	67	26,480	8	26,555
Interest rate	28	20,467	4	20,499
Credit	–	1,231	–	1,231
Equity and stock index options	–	14	3	17
Commodity	369	212	–	581
Investment securities				
Debt securities and other eligible bills	44,696	32,436	38	77,170
Of which:				
Government bonds and treasury bills	30,687	12,410	33	43,130
Issued by corporates other than financial institutions[1]	10,010	10,531	5	20,546
Issued by financial institutions[1]	3,999	9,495	–	13,494
Equity shares	30	504	201	735
Total financial instruments at 31 December 2019[2]	49,274	156,990	991	207,255
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	348	–	348
Customer accounts	–	4,181	40	4,221
Repurchase agreements and other similar secured borrowing	–	45,820	–	45,820
Debt securities in issue	–	5,913	358	6,271
Short positions	361	1,298	–	1,659
Derivative financial instruments	511	48,431	45	48,987
Of which:				
Foreign exchange	93	26,561	3	26,657
Interest rate	31	19,927	9	19,967
Credit	–	1,641	14	1,655
Equity and stock index options	–	110	19	129
Commodity	387	192	–	579
Total financial instruments at 31 December 2019[2]	872	105,991	443	107,306

1 Includes covered bonds of $3,979 million (represented from $1,341 million), securities issued by Multilateral Development Banks/International Organisations of $9,653 million and State-owned agencies and development banks of $6,662 million

2 The above table does not include held for sale assets of $307 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

12. Financial instruments continued

Company

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,571	200	2,771
Loans and advances to customers	–	2,306	275	2,581
Reverse repurchase agreements and other similar secured lending	–	61,198	1,064	62,262
Debt securities and other eligible bills	2,075	7,891	135	10,101
Of which:				
Government bonds and treasury bills	2,017	4,073	–	6,090
Issued by corporates other than financial institutions[1]	30	1,697	133	1,860
Issued by financial institutions[1]	28	2,121	2	2,151
Equity shares	2,719	192	–	2,911
Derivative financial instruments	462	68,437	11	68,910
Of which:				
Foreign exchange	106	52,272	6	52,384
Interest rate	30	13,611	2	13,643
Credit	–	1,672	2	1,674
Equity and stock index options	–	35	1	36
Commodity	326	847	–	1,173
Investment securities				
Debt securities and other eligible bills	31,569	26,399	28	57,996
Of which:				
Government bonds and treasury bills	23,921	10,636	28	34,585
Issued by corporates other than financial institutions[1]	1,739	4,628	–	6,367
Issued by financial institutions[1]	5,909	11,135	–	17,044
Equity shares	58	–	172	230
Total financial instruments at 31 December 2020[2]	36,883	168,994	1,885	207,762
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	70	–	70
Customer accounts	–	6,642	(3)	6,639
Repurchase agreements and other similar secured borrowing	–	47,247	–	47,247
Debt securities in issue	–	4,079	124	4,203
Short positions	149	793	–	942
Derivative financial instruments	400	67,933	90	68,423
Of which:				
Foreign exchange	108	53,341	15	53,464
Interest rate	5	12,197	26	12,228
Credit	–	1,817	44	1,861
Equity and stock index options	–	98	5	103
Commodity	287	480	–	767
Total financial instruments at 31 December 2020[2]	549	126,764	211	127,524

1 Includes covered bonds of $4,168 million, securities issued by Multilateral Development Banks/International Organisations of $8,155 million and State-owned agencies and development banks of $2,771 million

2 The above table does not include held for sale assets of $5 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2020.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

12. Financial instruments continued

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,706	365	3,071
Loans and advances to customers	–	1,763	121	1,884
Reverse repurchase agreements and other similar secured lending	–	57,041	–	57,041
Debt securities and other eligible bills	1,545	9,077	99	10,721
Of which:				
Government bonds and treasury bills	1,400	4,140	–	5,540
Issued by corporates other than financial institutions[1]	1	3,299	99	3,399
Issued by financial institutions[1]	144	1,638	–	1,782
Equity shares	2,118	–	–	2,118
Derivative financial instruments	459	48,048	17	48,524
Of which:				
Foreign exchange	62	26,088	10	26,160
Interest rate	28	20,526	4	20,558
Credit	–	1,235	–	1,235
Equity and stock index options	–	6	3	9
Commodity	369	193	–	562
Investment securities				
Debt securities and other eligible bills	37,952	22,618	591	61,161
Of which:				
Government bonds and treasury bills	28,906	6,326	28	35,260
Issued by corporates other than financial institutions[1]	6,022	8,496	–	14,518
Issued by financial institutions[1]	3,024	7,796	563	11,383
Equity shares	23	–	170	193
Total financial instruments at 31 December 2019	42,097	141,253	1,363	184,713

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	349	–	349
Customer accounts	–	4,032	–	4,032
Repurchase agreements and other similar secured borrowing	–	45,587	–	45,587
Debt securities in issue	–	5,692	358	6,050
Short positions	343	1,054	–	1,397
Derivative financial instruments	508	47,893	46	48,447
Of which:				
Foreign exchange	90	26,450	14	26,554
Interest rate	31	19,626	9	19,666
Credit	–	1,528	14	1,542
Equity and stock index options	–	58	9	67
Commodity	387	231	–	618
Total financial instruments at 31 December 2019	851	104,607	404	105,862

1 Includes covered bonds of $3,382 million (represented from $744 million), securities issued by Multilateral Development Banks/International Organisations of $8,469 million and State-owned agencies and development banks of $6,072 million

12. Financial instruments continued

Fair value hierarchy – financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

Group

	Carrying value $million	Fair value Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	**58,117**	**–**	**58,117**	**–**	**58,117**
Loans and advances to banks	**27,666**	**–**	**27,667**	**4**	**27,671**
of which – reverse repurchase agreements and other similar secured lending	**809**	**–**	**815**	**–**	**815**
Loans and advances to customers	**140,861**	**–**	**29,147**	**111,628**	**140,775**
of which – reverse repurchase agreements and other similar secured lending	**2,919**	**–**	**2,922**	**–**	**2,922**
Investment securities[2]	**14,437**	**–**	**15,308**	**7**	**15,315**
Other assets[1]	**25,873**	**–**	**25,873**	**–**	**25,873**
Assets held for sale	**83**	**–**	**25**	**58**	**83**
As at 31 December 2020	**267,037**	**–**	**156,137**	**111,697**	**267,834**
Liabilities					
Deposits by banks	**23,761**	**–**	**23,794**	**–**	**23,794**
Customer accounts	**216,719**	**–**	**216,670**	**–**	**216,670**
Repurchase agreements and other similar secured borrowing	**20**	**–**	**20**	**–**	**20**
Debt securities in issue	**29,356**	**–**	**29,356**	**–**	**29,356**
Subordinated liabilities and other borrowed funds	**14,879**	**–**	**14,821**	**–**	**14,821**
Other liabilities[1]	**29,581**	**–**	**29,581**	**–**	**29,581**
As at 31 December 2020	**314,316**	**–**	**314,242**	**–**	**314,242**

	Carrying value $million	Fair value Level 1 $million	restated Level 2 $million	Level 3 $million	restated Total $million
Assets					
Cash and balances at central banks[1]	43,926	–	43,926	–	43,926
Loans and advances to banks	36,948	–	36,876	–	36,876
of which – reverse repurchase agreements and other similar secured lending	585	–	587	–	587
Loans and advances to customers	139,181	–	22,832	117,579	140,411
of which – reverse repurchase agreements and other similar secured lending	1,339	–	1,341	–	1,341
Investment securities[2]	12,061	–	12,330[3]	20	12,350
Other assets[1]	20,385	–	20,385	–	20,385
Assets held for sale	70	–	70	–	70
As at 31 December 2019	252,571	–	136,419	117,599	254,018
Liabilities					
Deposits by banks	24,126	–	24,142	–	24,142
Customer accounts	210,262	–	210,222	–	210,222
Repurchase agreements and other similar secured borrowing	178	–	178	–	178
Debt securities in issue	31,243	–	31,229	–	31,229
Subordinated liabilities and other borrowed funds	13,029	–	12,975	–	12,975
Other liabilities[1]	24,247	–	24,247	–	24,247
As at 31 December 2019	303,085	–	302,993	–	302,993

1 The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

2 Includes Government bonds and Treasury bills of $7,072 million at 31 December 2020 and $5,693 million at 31 December 2019

3 Fair value of investment securities restated from $11,199 million to $12,330 million as a result of an observable price in the market now being used

12. Financial instruments continued

Company

	Carrying value $million	Fair value Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	46,476	–	46,476	–	46,476
Loans and advances to banks	14,997	–	14,998	–	14,998
of which – reverse repurchase agreements and other similar secured lending	55	–	55	–	55
Loans and advances to customers	72,969	–	10,252	62,602	72,854
of which – reverse repurchase agreements and other similar secured lending	2,283	–	2,283	–	2,283
Investment securities[2]	12,876	–	13,754	–	13,754
Other assets[1]	23,495	–	23,495	–	23,495
Assets held for sale	83	–	25	58	83
As at 31 December 2020	170,896	–	109,000	62,660	171,660
Liabilities					
Deposits by banks	18,482	–	18,482	–	18,482
Customer accounts	122,061	–	121,889	–	121,889
Repurchase agreements and other similar secured borrowing	–	–	–	–	–
Debt securities in issue	27,661	–	27,661	–	27,661
Subordinated liabilities and other borrowed funds	14,339	–	14,281	–	14,281
Other liabilities[1]	23,305	–	23,305	–	23,305
As at 31 December 2020	205,848	–	205,618	–	205,618

	Carrying value $million	Fair value Level 1 $million	restated Level 2 $million	Level 3 $million	restated Total $million
Assets					
Cash and balances at central banks[1]	34,734	–	34,734	–	34,734
Loans and advances to banks	22,265	–	22,190	–	22,190
of which – reverse repurchase agreements and other similar secured lending	146	–	146	–	146
Loans and advances to customers	76,845	–	10,970	65,997	76,967
of which – reverse repurchase agreements and other similar secured lending	1,179	–	1,179	–	1,179
Investment securities[2]	10,487	–	10,777[3]	–	10,777
Other assets[1]	17,750	–	17,750	–	17,750
Assets held for sale	70	–	70	–	70
As at 31 December 2019	162,151	–	96,491	65,997	162,488
Liabilities					
Deposits by banks	19,232	–	19,248	–	19,248
Customer accounts	124,032	–	124,045	–	124,045
Repurchase agreements and other similar secured borrowing	178	–	178	–	178
Debt securities in issue	30,748	–	30,733	–	30,733
Subordinated liabilities and other borrowed funds	12,489	–	12,415	–	12,415
Other liabilities[1]	18,634	–	18,634	–	18,634
As at 31 December 2019	205,313	–	205,253	–	205,253

1 The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently

2 Includes Government bonds and Treasury bills of $6,548 million as at 31 December 2020 and $5,209 million as at 31 December 2019

3 Fair value of investment securities restated from $9,646 million to $10,777 million as a result of an observable price in the market now being used

12. Financial instruments continued

Loans and advances to customers by client segment[1]

Group

	2020					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2 $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate & Institutional Banking	**2,311**	**64,838**	**67,149**	**2,357**	**64,802**	**67,159**
Retail Banking	**374**	**33,695**	**34,069**	**380**	**33,679**	**34,059**
Commercial Banking	**410**	**13,288**	**13,698**	**430**	**13,179**	**13,609**
Private Banking	**227**	**8,264**	**8,491**	**228**	**8,265**	**8,493**
Central & other items	**–**	**17,454**	**17,454**	**–**	**17,455**	**17,455**
At 31 December 2020	**3,322**	**137,539**	**140,861**	**3,395**	**137,380**	**140,775**

	2019 (Restated)					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2[2] $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate & Institutional Banking	1,137	68,479	69,616	1,187	71,662	72,849
Retail Banking	301	33,455	33,756	311	34,449	34,760
Commercial Banking	384	16,400	16,784	415	13,359	13,774
Private Banking	219	8,864	9,083	219	8,865	9,084
Central & other items	–	9,942	9,942	–	9,944	9,944
At 31 December 2019	2,041	137,140	139,181	2,132	138,279	140,411

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $2,919 million and fair value $2,922 million (31 December 2019: $1,339 million and $1,341 million respectively)

2 Corporate & Institutional Banking, Commercial Banking and Retail Banking carrying value numbers have been restated to reflect client transfers between the segments. The changes are in stage 1 and stage 2 only

Company

	2020					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2 $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate & Institutional Banking	**1,764**	**47,826**	**49,590**	**1,808**	**47,730**	**49,538**
Retail Banking	**168**	**8,534**	**8,702**	**175**	**8,553**	**8,728**
Commercial Banking	**282**	**8,676**	**8,958**	**305**	**8,563**	**8,868**
Private Banking	**187**	**3,227**	**3,414**	**187**	**3,228**	**3,415**
Central & other items	**–**	**2,305**	**2,305**	**–**	**2,305**	**2,305**
At 31 December 2020	**2,401**	**70,568**	**72,969**	**2,475**	**70,379**	**72,854**

	2019 (Restated)					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2[2] $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate & Institutional Banking	948	50,587	51,535	1,000	52,843	53,843
Retail Banking	104	9,670	9,774	114	9,699	9,813
Commercial Banking	252	11,051	11,303	278	8,801	9,079
Private Banking	201	3,381	3,582	200	3,381	3,581
Central & other items	–	651	651	–	651	651
At 31 December 2019	1,505	75,340	76,845	1,592	75,375	76,967

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $2,283 million and fair value $2,283 million (31 December 2019: $1,179 million and fair value $1,179 million)

2 Corporate & Institutional Banking, Commercial Banking and Retail Banking carrying value numbers have been restated to reflect client transfers between the segments. The changes are in stage 1 and stage 2 only

12. Financial instruments continued

Fair value of financial instruments

Level 3 Summary and significant unobservable inputs

The following table presents the Group's primary Level 3 financial instruments which are held at fair value. The table also presents the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, the range of values for those inputs and the weighted average of those inputs:

Group

Instrument	Value as at 31 December 2020 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to Banks	200	–	Discounted cash flows	Price/yield	12.7%-12.9%	12.8%
Loans and advances to customers	464	–	Discounted cash flows	Price/yield	0.9%-11.5%	5.0%
				Recovery rates	34.2%-100%	74.7%
Reverse repurchase agreements and other similar secured lending	1,064	–	Discounted cash flows	Repo curve	1.0%-3.2%	2.8%
Debt securities, alternative tier one and other eligible securities	132	–	Discounted cash flows	Price/yield	4.7%-11.5%	10.8%
Government bonds and treasury bills	40	–	Discounted cash flows	Price/yield	2.8%-5.5%	3.6%
Asset-backed securities	63	–	Discounted cash flows	Price/yield	8.3%-12.0%	11.7%
				Recovery rates	NA	NA
Equity shares (includes private equity investments)	379	–	Comparable pricing/yield	EV/EBITDA multiples	3.3x	3.3x
				P/E multiples	N/A	N/A
				P/B multiples	0.5x-0.8x	62.0%
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	8.4%-16.2%	9.5%
			Option pricing model	Equity value based on EV/Revenue multiples	13.5x-130.9x	114.9x
Derivative financial instruments of which:						
Foreign exchange	4	4	Option pricing model	Foreign exchange option implied volatility	N/A	N/A
			Discounted cash flows	Foreign exchange curves	2.7%-5.6%	4.1%
Interest rate	2	26	Discounted cash flows	Interest rate curves	(5.2)%-18.6%	9.6%
			Option pricing model	Bond option implied volatility	20.0%-30.0%	24.2%
Credit	2	82	Discounted cash flows	Credit spreads	1.0%-2.0%	2.0%
				Price/yield	0.9%-12.0%	11.5%
Equity and stock index	1	5	Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Customer accounts	–	(3)	Discounted cash flows	Credit spreads	N/A	N/A
				Interest rate curves	(0.4)%-7.7%	3.9%
				Recovery rates	N/A	N/A
Debt securities in issue	–	124	Discounted cash flows	Credit spreads	0.11%-2.0%	1.2%
			Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Total	2,351	238				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2020. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

12. Financial instruments continued

Instrument	Value as at 31 December 2019 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to Banks	365	–	Discounted cash flows	Price/yield	1.0%-15.6%	10.8%
Loans and advances to customers	156	–	Discounted cash flows	Price/yield	0.5%-6.9%	6.9%
				Recovery rates	18.9%-100%	82.5%
Debt securities, alternative tier one and other eligible securities	149	–	Discounted cash flows	Price/yield	6.9%-18.7%	13.7%
Government bonds and treasury bills	38	–	Discounted cash flows	Price/yield	2.9%-5.5%	3.7%
Asset-backed securities	21	–	Discounted cash flows	Price/yield	1.4%-3.2%	2.7%
Equity shares (includes private equity investments)[3]	247	–	Comparable pricing/yield	EV/EBITDA multiples	3.5x	3.5x
				P/E multiples	17.4x	17.4x
				P/B multiples	0.6x-1.0x	0.9x
				P/S multiples	N/A	N/A
				Liquidity discount	10.0%-20.0%	17.4%
			Discounted cash flows	Discount rates	8.4%-16.2%	9.5%
Derivative financial instruments of which:						
Foreign exchange	8	3	Option pricing model	Foreign exchange option implied volatility	4.4%-18.9%	16.7%
			Discounted cash flows	Foreign exchange curves	7.8%-8.0%	7.9%
Interest rate	4	9	Discounted cash flows	Interest rate curves	5.3%-19.6%	8.6%
			Option pricing model	Bond option implied volatility	17.0%-28.0%	24.0%
Credit	–	14	Discounted cash flows	Credit spreads	1.0%	1.0%
Equity and stock index	3	19	Internal pricing model	Equity correlation	1.0%-90.0%	58.0%
				Equity-FX correlation	(80.0)%-70.0%	(29.0)%
Customer accounts	–	40	Discounted cash flows	Credit spreads	1.0%-5.8%	2.7%
Debt securities in issue	–	358	Discounted cash flows	Credit spreads	0.1%-0.7%	0.5%
			Internal pricing model	Equity correlation	1.0%-90.0%	58.0%
				Equity-FX correlation	(80.0)%-70.0%	(29.0)%
Total	991	443				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2019. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

3 The Group has an equity investment in the Series B preferred shares of Ripple Labs, Inc., which owns a digital currency (XRP) and is being carried at a fair value based on the shares' initial offering price

12. Financial instruments continued

Company

Instrument	Value as at 31 December 2020 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to Banks	200	–	Discounted cash flows	Price/yield	12.7%-12.9%	12.8%
Loans and advances to customers	275	–	Discounted cash flows	Price/yield	0.9%-11.5%	6.3%
				Recovery rates	34.2%-100%	69.6%
Reverse repurchase agreements and other similar secured lending	1,064	–	Discounted cash flows	Repo curve	1.0%-3.2%	2.8%
Debt securities, alternative tier one and other eligible securities	72	–	Discounted cash flows	Price/yield	4.7%-11.5%	10.7%
Government bonds and treasury bills	28	–	Discounted cash flows	Price/yield	2.8%-5.5%	3.4%
Asset-backed securities	63	–	Discounted cash flows	Price/yield	8.3%-12.0%	11.7%
				Recovery rates	N/A	N/A
Equity shares (includes private equity investments)	172	–	Comparable pricing/yield	EV/EBITDA multiples	3.3x	3.3x
				P/E multiples	N/A	N/A
				P/B multiples	0.5x-0.8x	0.6x
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	N/A	N/A
			Option pricing model	Equity value based on EV/Revenue multiples	13.5x-130.9x	114.9x
Derivative financial instruments of which:						
Foreign exchange	6	15	Option pricing model	Foreign exchange	N/A	N/A
			Discounted cash flows	Foreign exchange curves	2.7%-5.6%	4.1%
Interest rate	2	26	Discounted cash flows	Interest rate curves	(5.2)%-18.6%	9.7%
			Option pricing model	Bond option implied volatility	20.0%-30.0%	24.2%
Credit	2	44	Discounted cash flows	Credit spreads	1.0%-2.0%	1.0%
				Price/yield	2.0%-12.0%	12.0%
Equity and stock index	1	5	Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Customer accounts	–	(3)	Discounted cash flows	Credit spreads	N/A	N/A
				Interest rate curves	(0.4)%-7.7%	3.9%
				Recovery rates	N/A	N/A
Debt securities in issue	–	124	Discounted cash flows	Credit spreads	0.11%-2.0%	1.2%
			Internal pricing model	Equity correlation	20.0%-90.0%	49.0%
				Equity-FX correlation	(70.0)%-80.0%	(59.0)%
Total	1,885	211				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2020. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

12. Financial instruments continued

Instrument	Value as at 31 December 2019 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to Banks	365	–	Discounted cash flows	Price/yield	1.0%-15.6%	10.8%
Loans and advances to customers	121	–	Discounted cash flows	Price/yield	6.9%	6.9%
				Recovery rates	18.9%-100%	76.3%
Debt securities, alternative tier one and other eligible securities	78	–	Discounted cash flows	Price/yield	6.9%	6.9%
Government bonds and treasury bills	28	–	Discounted cash flows	Price/yield	2.9%-4.0%	3.4%
Asset-backed securities	584	–	Discounted cash flows	Price/yield	1.4%-3.6%	2.6%
Equity shares (includes private equity investments)[3]	170	–	Comparable pricing/yield	EV/EBITDA multiples	N/A	N/A
				P/E multiples	17.4x	17.4x
				P/B multiples	0.9x-1.0x	0.9x
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	10.0%	10.0%
Derivative financial instruments of which:						
Foreign exchange	10	14	Option pricing model	Foreign exchange option implied volatility	4.4%-18.9%	16.7%
			Discounted cash flows	Foreign exchange curves	7.8%-8.0%	7.9%
Interest rate	4	9	Discounted cash flows	Interest rate curves	5.3%-19.6%	8.6%
			Option pricing model	Bond option implied volatility	17.0%-28.0%	24.0%
Credit	–	14	Discounted cash flows	Credit spreads	1.0%	1.0%
Equity and stock index	3	9	Internal pricing model	Equity correlation	1.0%-90.0%	58.0%
				Equity-FX correlation	(80.0)%-70.0%	(29.0)%
Debt securities in issue	–	358	Discounted cash flows	Credit spreads	0.1%-0.7%	0.5%
			Internal pricing model	Equity correlation	1.0%-90.0%	58.0%
				Equity-FX correlation	(80.0)%-70.0%	(29.0)%
Total	1,363	404				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2019. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

2 Weighted average for non-derivative financial instruments has been calculated by weighting inputs by the relative fair value. Weighted average for derivatives has been provided by weighting inputs by the risk relevant to that variable. N/A has been entered for the cases where weighted average is not a meaningful indicator

3 The Group has an equity investment in the Series B preferred shares of Ripple Labs, Inc., which owns a digital currency (XRP) and is being carried at a fair value based on the shares' initial offering price

12. Financial instruments continued

The following section describes the significant unobservable inputs identified in the valuation technique table:

- **Comparable price/yield** is a valuation methodology in which the price of a comparable instrument is used to estimate the fair value where there are no direct observable prices. Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. Valuation using comparable instruments can be done by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable instrument, then adjusting that yield (or spread) to derive a value for the instrument. The adjustment should account for relevant differences in the financial instruments such as maturity and/or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and the instrument being valued in order to establish the value of the instrument (for example, deriving a fair value for a junior unsecured bond from the price of a senior secured bond). An increase in price, in isolation, would result in a favourable movement in the fair value of the asset. An increase in yield, in isolation, would result in an unfavourable movement in the fair value of the asset
- **Correlation** is the measure of how movement in one variable influences the movement in another variable. An equity correlation is the correlation between two equity instruments while an interest rate correlation refers to the correlation between two swap rates
- **Credit spread** represents the additional yield that a market participant would demand for taking exposure to the Credit Risk of an instrument
- **Discount rate** refers to the rate of return used to convert expected cash flows into present value
- **Equity-FX correlation** is the correlation between equity instrument and foreign exchange instrument
- **EV/EBITDA ratio multiples** is the ratio of Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiples in isolation, will result in a favourable movement in the fair value of the unlisted firm
- **Foreign exchange curves** is the term structure for forward rates and swap rates between currency pairs over a specified period
- **Interest rate curves** is the term structure of interest rates and measure of future interest rates at a particular point in time
- **Liquidity discounts in the valuation of unlisted investments** primarily applied to the valuation of unlisted firms' investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount will result in unfavourable movement in the fair value of the unlisted firm
- **Price-Earnings (P/E) multiples** is the ratio of the Market Capitalisation to the net income after tax. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Book (P/B) multiple** is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm
- **Price-Sales (P/S) multiple** is the ratio of the market value of equity to sales. An increase in P/S multiple will result in a favourable movement in the fair value of the unlisted firm
- **Recovery rates** are the expectation of the rate of return resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan
- **Volatility** represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be

12. Financial instruments continued

Level 3 movement tables – financial assets

The table below analyses movements in Level 3 financial assets carried at fair value.

Group

	Held at fair value through profit or loss						Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares	Derivative financial instruments	Debt securities, alternative tier one and other eligible bills $million	Equity shares	Total
At 1 January 2020	365	156	–	170	46	15	38	201	991
Total gains/(losses) recognised in income statement	16	(8)	1	(21)	(48)	(6)	–	–	(66)
Net trading income	16	(8)	1	(19)	(48)	(6)	–	–	(64)
Other operating income	–	–	–	(2)	–	–	–	–	(2)
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	6	28	34
Fair value through OCI reserve	–	–	–	–	–	–	7	28	35
Exchange difference	–	–	–	–	–	–	(1)	–	(1)
Purchases	321	465	1,165	43	7	117	36	33	2,187
Sales	(164)	(28)	(102)	(110)	(16)	(70)	–	(4)	(494)
Settlements	(416)	(466)	–	(22)	–	(7)	–	–	(911)
Transfers out[1]	–	(113)	–	(37)	(1)	(40)	(40)	(3)	(234)
Transfers in[2]	78	458	–	172	136	–	–	–	844
At 31 December 2020	200	464	1,064	195	124	9	40	255	2,351
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2020	–	(2)	–	4	–	–	–	–	2

1 Transfers out includes debt securities, alternative tier one and other eligible bills, equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2. Transfers in of $62 million further relates to Equity Shares moved from Held for Sale

2 Transfers in primarily relate to debt securities, alternative tier one and other eligible bills, equity shares and loans and advances where the valuation parameters become unobservable during the year

12. Financial instruments continued

The table below analyses movements in Level 3 financial assets carried at fair value.

Assets	Held at fair value through profit or loss: Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Investment securities: Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2019	632	492	–	317	205	12	412	230	2,300
Discontinued operations	-	(397)	-	(127)	(74)	-	-	(63)	(661)
Continuing operations	632	95	–	190	131	12	412	167	1,639
Total (losses)/gains recognised in income statement	(26)	(70)	–	(15)	(13)	(15)	2	–	(137)
Net trading income	(26)	(70)	–	(15)	(13)	(15)	–	–	(139)
Other operating income	–	–	–	–	–	–	2	–	2
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	(341)	11	(330)
Fair value through OCI reserve	–	–	–	–	–	–	(4)	19	15
Exchange difference	–	–	–	–	–	–	(337)	(8)	(345)
Purchases	826	101	–	21	5	107	156	27	1,243
Sales	–	(8)	–	(13)	(3)	(26)	(1)	(7)	(58)
Settlements	(1,067)	(48)	–	(3)	–	(5)	(34)	–	(1,157)
Transfers out[1]	–	(6)	–	(84)	(74)	(75)	(161)	–	(400)
Transfers in[2]	–	92	–	74	–	17	5	3	191
At 31 December 2019	365	156	–	170	46	15	38	201	991
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2019	–	–	–	(1)	–	(1)	(4)	–	(6)

1 Transfers out includes debt securities, alternative tier one and other eligible bills, equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2. Transfers out further relates to $74 million equity shares held for sale

2 Transfers in primarily relate to debt securities, alternative tier one and other eligible bills, loans and advances, equity shares and derivative financial instruments where the valuation parameters become unobservable during the year

12. Financial instruments continued

Level 3 movement tables – financial assets

The table below analyses movements in Level 3 financial assets carried at fair value.

Company

Assets	Held at fair value through profit or loss: Loans and advances to banks $million	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Reverse repurchase agreements and other similar secured lending $million	Held at fair value through profit or loss: Debt securities, alternative tier one and other eligible bills $million	Derivative financial instruments $million	Investment securities: Debt securities, alternative tier one and other eligible bills $million	Investment securities: Equity shares $million	Total $million
At 1 January 2020	365	121	–	99	17	591	170	1,363
Total gains/(losses) recognised in income statement – net trading income	16	(6)	1	(24)	(6)	–	–	(19)
Total losses recognised in other comprehensive income	–	–	–	–	–	–	(6)	(6)
Purchases	321	34	1,165	42	118	36	15	1,731
Sales	(164)	(4)	(102)	(57)	(70)	(563)	(4)	(964)
Settlements	(416)	(5)	–	–	(7)	–	–	(428)
Transfers out[1]	–	(108)	–	(37)	(41)	(36)	(3)	(225)
Transfers in[2]	78	243	–	112	–	–	–	433
At 31 December 2020	200	275	1,064	135	11	28	172	1,885
Total unrealised gains recognised in the income statement, within net interest income, relating to change in fair value of assets held at 31 December 2020	1	–	–	–	3	–	–	4

1 Transfers out includes debt securities, alternative tier one and other eligible bills, equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2

2 Transfers in primarily relate to debt securities, alternative tier one and other eligible bills and loans and advances where the valuation parameters become unobservable during the year

Assets	Held at fair value through profit or loss: Loans and advances to banks $million	Held at fair value through profit or loss: Loans and advances to customers $million	Held at fair value through profit or loss: Reverse repurchase agreements and other similar secured lending $million	Held at fair value through profit or loss: Debt securities, alternative tier one and other eligible bills $million	Derivative financial instruments $million	Investment securities: Debt securities, alternative tier one and other eligible bills $million	Investment securities: Equity shares $million	Total $million
At 1 January 2019	632	31	–	190	14	28	147	1,042
Total losses recognised in income statement – net trading income	(25)	(71)	–	(14)	(15)	–	–	(125)
Total gains recognised in other comprehensive income	–	–	–	–	–	–	17	17
Purchases	826	100	–	1	108	678	9	1,722
Sales	–	(8)	–	(14)	(26)	–	(6)	(54)
Settlements	(1,068)	–	–	(3)	(5)	–	–	(1,076)
Transfers out[1]	–	(6)	–	(83)	(74)	(115)	–	(278)
Transfers in[2]	–	75	–	22	15	–	3	115
At 31 December 2019	365	121	–	99	17	591	170	1,363
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2019	–	–	–	–	(1)	–	–	(1)

1 Transfers out includes debt securities, alternative tier one and other eligible bills, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2

2 Transfers in primarily relate to loans and advances, debt securities, alternative tier one and other eligible bills, derivative financial instruments and equity shares where the valuation parameters become unobservable during the year

12. Financial instruments continued

Level 3 movement tables – financial liabilities

Group

	2020				
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2020	–	40	358	45	443
Total (gains)/losses recognised in income statement – net trading income	–	(1)	(11)	12	–
Issues	–	11	505	197	713
Settlements	–	(61)	(505)	(104)	(670)
Transfers out[1]	–	–	(223)	(53)	(276)
Transfers in[2]	–	8	–	20	28
At 31 December 2020	–	(3)	124	117	238
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2020	–	1	–	1	2

	2019				
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments[3] $million	Total $million
At 1 January 2019	4	–	439	65	508
Discontinued operations	(4)		(112)	–	(116)
Continuing operations	–	–	327	65	392
Total(gains)/losses recognised in income statement – net trading income	–	(2)	22	54	74
Issues	–	41	540	424	1,005
Settlements	–	–	(410)	(578)	(988)
Transfers out[1]	–	–	(121)	(13)	(134)
Transfers in[2]	–	1	–	93	94
At 31 December 2019	–	40	358	45	443
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2019	–	(2)	16	2	16

1 Transfers out during the year primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities

2 Transfers in during the year primarily relates to debt securities in issue, customer accounts and derivative financial instruments where the valuation parameters become unobservable during the year

3 Prior period movements have been restated on account of restatement done during 2019 due to change in observability parameters

12. Financial instruments continued

Company

	2020			
	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2020	–	358	46	404
Total (gains)/losses recognised in income statement – net trading income	–	(11)	8	(3)
Issues	(3)	426	161	584
Settlements	–	(427)	(92)	(519)
Transfers out[1]	–	(223)	(53)	(276)
Transfers in[2]	–	1	20	21
At 31 December 2020	(3)	124	90	211
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2020	–	–	–	–

	2019			
	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Total $million
At 1 January 2019	–	326	73	399
Total losses recognised in income statement – net trading income	–	23	52	75
Issues	–	540	425	965
Settlements	–	(410)	(504)	(914)
Transfers out[1]	–	(121)	(13)	(134)
Transfers in[2]	–	–	13	13
At 31 December 2019	–	358	46	404
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2019	–	16	2	18

1 Transfers out during the year primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities

2 Transfers in during the year primarily relates to debt securities in issue and derivative financial instruments where the valuation parameters become unobservable during the year

12. Financial instruments continued

Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. The Group applies a 10 per cent increase or decrease on the values of these unobservable inputs, to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analysis performed on a set of reference prices based on the composition of the Group's Level 3 inventory as the measurement date. Favourable and unfavourable changes (which show the balance adjusted for input change) are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. The Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

Group

	Held at fair value through profit or loss			Fair value through other comprehensive income		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Loans and advances	**664**	**689**	**618**	**–**	**–**	**–**
Reverse repurchase agreements and other similar secured lending	**1,064**	**1,089**	**1,040**	**–**	**–**	**–**
Asset-backed securities	**63**	**68**	**59**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**132**	**140**	**123**	**40**	**40**	**39**
Equity shares	**124**	**137**	**112**	**255**	**280**	**231**
Derivative financial instruments	**(108)**	**(97)**	**(120)**	**–**	**–**	**–**
Customer accounts	**3**	**5**	**1**	**–**	**–**	**–**
Debt securities in issue	**(124)**	**(118)**	**(131)**	**–**	**–**	**–**
As at 31 December 2020	**1,818**	**1,913**	**1,702**	**295**	**320**	**270**
Financial instruments held at fair value						
Loans and advances	521	532	505	–	–	–
Asset-backed securities	21	21	21	–	–	–
Debt securities, alternative tier one and other eligible bills	149	155	143	38	38	38
Equity shares	46	54	38	201	221	181
Derivative financial instruments	(30)	(23)	(37)	–	–	–
Customer accounts	(40)	(40)	(40)	–	–	–
Debt securities in issue	(358)	(327)	(389)	–	–	–
As at 31 December 2019	309	372	241	239	259	219

The reasonably possible alternatives could have increased or decreased the fair values of financial instruments held at fair value through profit or loss and those classified as fair value through other comprehensive income by the amounts disclosed below.

Financial instruments	Fair value changes	2020 $million	2019 $million
Held at fair value through profit or loss	Possible increase	**95**	63
	Possible decrease	**(116)**	(68)
Fair value through other comprehensive income	Possible increase	**25**	20
	Possible decrease	**(25)**	(20)

12. Financial instruments continued

Company

	Held at fair value through profit or loss			Fair value through other comprehensive income		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Loans and advances	**475**	**500**	**437**	**–**	**–**	**–**
Reverse repurchase agreements and other similar secured lending	**1,064**	**1,089**	**1,040**	**–**	**–**	**–**
Asset-backed securities	**63**	**68**	**59**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**72**	**74**	**69**	**28**	**28**	**28**
Equity shares	**–**	**–**	**–**	**172**	**188**	**156**
Derivative financial instruments	**(79)**	**(67)**	**(91)**	**–**	**–**	**–**
Customer accounts	**3**	**5**	**1**	**–**	**–**	**–**
Debt securities in issue	**(124)**	**(118)**	**(131)**	**–**	**–**	**–**
At 31 December 2020	**1,474**	**1,551**	**1,384**	**200**	**216**	**184**
Financial instruments held at fair value						
Loans and advances	486	496	472	–	–	–
Asset-backed securities	21	21	21	563	564	562
Debt securities, alternative tier one and other eligible bills	78	82	74	28	28	28
Equity shares	–	–	–	170	187	153
Derivative financial instruments	(29)	(23)	(35)	–	–	–
Debt securities in issue	(358)	(327)	(389)	–	–	–
At 31 December 2019	198	249	143	761	779	743

The reasonably possible alternatives could have increased or decreased the fair values of financial instruments held at fair value through profit or loss and those classified as fair value through other comprehensive income by the amounts disclosed below.

Financial instruments	**Fair value changes**	**2020 $million**	2019 $million
Held at fair value through profit or loss	Possible increase	**77**	51
	Possible decrease	**(90)**	(55)
Fair value through other comprehensive income	Possible increase	**16**	18
	Possible decrease	**(16)**	(18)

13. Derivative financial instruments

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Hedge accounting

Under certain conditions, the Group may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Group continues to apply the 'Phase 1' hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement, and has early adopted the 'Phase 2' amendments to IFRS in respect of interest rate benchmark reform. There are three categories of hedge relationships:

- Fair value hedge: to manage the fair value of interest rate and/or foreign currency risks of recognised assets or liabilities or firm commitments
- Cash flow hedge: to manage interest rate or foreign exchange risk of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction
- Net investment hedge: to manage the structural foreign exchange risk of an investment in a foreign operation

The Group formally documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This is described in more detail in the categories of hedges below.

The Group assesses, both at hedge inception and on a quarterly basis, whether the derivatives designated in hedge relationships are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedges are considered to be highly effective if all the following criteria are met:

- At inception of the hedge and throughout its life, the hedge is prospectively expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk
- Actual results of the hedge are within a range of 80–125%. This is tested using regression analysis
- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 80%
- In the case of the hedge of a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that are expected to affect reported profit or loss. The Group assumes that any interest rate benchmarks on which hedged item cash flows are based are not altered by IBOR reform

The Group discontinues hedge accounting in any of the following circumstances:

- The hedging instrument is not, or has ceased to be, highly effective as a hedge
- The hedging instrument has expired, is sold, terminated or exercised
- The hedged item matures, is sold or repaid
- The forecast transaction is no longer deemed highly probable
- The Group elects to discontinue hedge accounting voluntarily

For interest rate benchmarks deemed in scope of IBOR reform, if the actual result of a hedge is outside the 80-125% range, but the hedge passes the prospective assessment, then the Group will not de-designate the hedge relationship.

13. Derivative financial instruments continued
Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9 and IAS 39, the Group may change hedge designations and corresponding documentation without the hedge being discontinued where there is a change in interest rate benchmark of the hedged item, hedging instrument or designated hedged risk. Permitted changes include the right to:

- Redefine the description of the hedged item and/or hedging instrument
- Redefine the hedged risk to reference an alternative risk-free rate
- Change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- Elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in net trading income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the remaining term to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For financial assets classified as fair value through other comprehensive income, the hedge accounting adjustment attributable to the hedged risk is included in net trading income to match the hedging derivative.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments are initially recognised in other comprehensive income, accumulating in the cash flow hedge reserve within equity. These amounts are subsequently recycled to the income statement in the periods when the hedged item affects profit or loss. Both the derivative fair value movement and any recycled amount are recorded in the 'Cashflow hedges' line item in other comprehensive income.

The Group assesses hedge effectiveness using the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedge relationship. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the net trading income immediately.

If a cash flow hedge is discontinued, the amount accumulated in the cash flow hedge reserve is released to the income statement as and when the hedged item affects the income statement.

For interest rate benchmarks deemed in scope of IBOR reform, the Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges even though there is uncertainty arising from these reforms with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than IBOR reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

13. Derivative financial instruments continued

Net investment hedge

Hedges of net investments are accounted for in a similar manner to cash flow hedges, with gains and losses arising on the effective portion of the hedges recorded in the line 'Exchange differences on translation of foreign operations' in other comprehensive income, accumulating in the translation reserve within equity. These amounts remain in equity until the net investment is disposed of. The ineffective portion of the hedges is recognised in the net trading income immediately.

The tables below analyse the notional principal amounts and the positive and negative fair values of derivative financial instruments. Notional principal amounts are the amounts of principal underlying the contract at the reporting date.

Derivatives

Group

	2020			2019		
Derivatives	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	3,009,523	34,813	35,905	2,019,760	17,059	15,903
Currency swaps and options	1,422,440	17,118	17,649	1,509,682	9,496	10,754
	4,431,963	51,931	53,554	3,529,442	26,555	26,657
Interest rate derivative contracts:						
Swaps	3,226,968	54,943	52,988	3,771,235	35,149	34,087
Forward rate agreements and options	609,074	1,590	1,858	280,439	1,813	2,361
Exchange traded futures and options	260,834	233	184	357,291	179	161
	4,096,876	56,766	55,030	4,408,965	37,141	36,609
Credit derivative contracts	140,189	1,686	2,014	79,008	1,231	1,655
Equity and stock index options	4,360	56	156	3,045	17	129
Commodity derivative contracts	68,802	1,298	826	77,969	581	579
Gross total derivatives	8,742,190	111,737	111,580	8,098,429	65,525	65,629
Offset	–	(42,512)	(42,512)	–	(16,642)	(16,642)
Total derivatives	8,742,190	69,225	69,068	8,098,429	48,883	48,987

Company

	2020			2019		
Derivatives	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	3,064,437	35,991	36,423	2,479,960	16,145	16,398
Currency swaps and options	1,386,480	16,393	17,041	759,370	10,015	10,156
	4,450,917	52,384	53,464	3,239,330	26,160	26,554
Interest rate derivative contracts:						
Swaps	3,204,279	54,355	52,719	4,059,779	34,820	34,104
Forward rate agreements and options	606,794	1,567	1,837	282,926	2,201	2,043
Exchange traded futures and options	260,834	233	184	357,291	179	161
	4,071,907	56,155	54,740	4,699,996	37,200	36,308
Credit derivative contracts	138,339	1,674	1,861	79,747	1,235	1,542
Equity and stock index options	3,523	36	103	2,796	9	67
Commodity derivative contracts	66,854	1,173	767	79,109	562	618
Gross total derivatives	8,731,540	111,422	110,935	8,100,978	65,166	65,089
Offset	–	(42,512)	(42,512)	–	(16,642)	(16,642)
Total derivatives	8,731,540	68,910	68,423	8,100,978	48,524	48,447

13. Derivative financial instruments continued

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business.

The Group applies balance sheet offsetting only in the instance where we are able to demonstrate legal enforceability of the right to offset (e.g. via legal opinion) and the ability and intention to settle on a net basis (e.g. via operational practice).

The Group has met the criteria to offset the derivative asset and liability balances and related variation margin for trades cleared on behalf of clients with LCH SwapClear. This applies to both trades between the Group and the clients and between the Group and LCH SwapClear. The impact of this as at 31 December 2020 is a decrease in the derivative assets and derivative liabilities of $15.4 billion. Prior periods have not been restated as the effect would not be material. The impact at 31 December 2019 would have been a decrease in the derivative assets and derivative liabilities of $8.7 billion.

The Group has also met the criteria to derecognise initial margin for trades cleared on behalf of clients with LCH SwapClear. The impact of this as at 31 December 2020 is a decrease in other assets and other liabilities of $1.4 billion. Prior periods have not been restated as the effect would not be material. The impact at 31 December 2019 would have been a decrease in other assets and other liabilities of $3.2 billion.

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, including derivative such as interest rate swaps, interest rate futures and cross currency swaps to manage interest rate and currency risks of the Group. These derivatives are measured at fair value, with fair value changes recognised in net trading income: refer to Market risk (page 109).

The Derivatives and Hedging sections of the Risk review and Capital review (page 91) explain the Group's risk management of derivative contracts and application of hedging.

Derivatives held for hedging

The Group enters into derivative contracts for the purpose of hedging interest rate, currency and structural foreign exchange risks inherent in assets, liabilities and forecast transactions. The table below summarises the notional principal amounts and carrying values of derivatives designated in hedge accounting relationships at the reporting date.

Group

	2020			2019		
	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	43,822	727	411	45,131	478	414
Currency swaps	151	8	9	529	16	109
	43,973	735	420	45,660	494	523
Derivatives designated as cash flow hedges:						
Interest rate swaps	1,441	12	21	1,277	2	16
Forward foreign exchange contracts	164	21	–	289	6	20
Currency swaps	278	–	12	878	5	1
	1,883	33	33	2,444	13	37
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	685	–	31	701	14	–
Total derivatives held for hedging	46,541	768	484	48,805	521	560

13. Derivative financial instruments continued

Company

	2020			2019		
	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Derivatives designated as fair value hedges:						
Interest rate swaps	41,833	727	350	43,194	477	366
Currency swaps	151	8	9	437	13	109
	41,984	735	359	43,631	490	475
Derivatives designated as cash flow hedges:						
Interest rate swaps	541	–	21	277	–	7
Forward foreign exchange contracts	164	21	–	119	6	–
Currency swaps	278	–	12	878	5	1
	983	21	33	1,274	11	8
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	685	–	31	701	14	–
Total derivatives held for hedging	43,652	756	423	45,606	515	483

Fair value hedges

The Group issues various long-term fixed rate debt issuances that are measured at amortised cost, including some denominated in foreign currency, such as unsecured senior and subordinated debt (see Notes 21 and 26). The Group also holds various fixed rate debt securities such as government and corporate bonds, including some denominated in foreign currency (see Note 12). These assets and liabilities held are exposed to changes in fair value due to movements in market interest and foreign currency rates.

The Group uses interest rate swaps to exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match floating rates paid on funding. The Group further uses cross currency swaps to match the currency of the issued debt or held asset with that of the entity's functional currency.

Hedge ineffectiveness from fair value hedges is driven by cross currency basis risk. The amortisation of fair value hedge adjustments for hedged items no longer designated is recognised in net trading income. In future periods hedge relationships linked to an interest rate benchmark deemed in scope of benchmark reform may experience ineffectiveness due to market participants' expectations for when the change from the existing IBOR benchmark to an alternative risk-free rate will occur, since the transition may occur at different times for the hedged item and hedging instrument.

At 31 December 2020 the Group held the following interest rate and cross currency swaps as hedging instruments in fair value hedges of interest and currency risk.

Hedging instruments and ineffectiveness

Group

	2020				
		Carrying amount			
Interest rate[1]	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	15,256	707	14	232	1
Interest rate swaps – loans and advances	613	–	12	(6)	–
Interest rate swaps – debt securities and other eligible bills	27,954	20	385	(715)	2
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	48	–	9	5	2
Cross currency swaps – debt securities and other eligible bills	102	8	–	(5)	(1)
Total at 31 December 2020	43,973	735	420	(489)	4

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

13. Derivative financial instruments continued

Interest rate[1]	2019 Notional $million	Carrying amount Asset $million	Carrying amount Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	8,379	434	4	160	(1)
Interest rate swaps – loans and advances	445	–	10	(8)	–
Interest rate swaps – debt securities and other eligible bills	36,307	44	400	(479)	11
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	338	–	109	7	1
Cross currency swaps – debt securities and other eligible bills	191	16	–	(6)	(1)
Total at 31 December 2019	45,660	494	523	(326)	10

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

Hedged items in fair value hedges

	2020					
	Carrying amount		**Accumulated amount of fair value hedge adjustments included in the carrying amount**			
	Asset $million	**Liability $million**	**Asset $million**	**Liability $million**	**Change in the value used for calculating hedge ineffectiveness $million**	**Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million**
Issued notes	**–**	**15,051**	**–**	**585**	**(237)**	**3**
Debt securities and other eligible bills	**28,853**	**–**	**299**	**–**	**722**	**(74)**
Loans and advances to customers	**623**	**–**	**10**	**–**	**6**	**(1)**
Total at 31 December 2020	**29,476**	**15,051**	**309**	**585**	**491**	**(72)**

	2019					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount			
	Asset $million	Liability $million	Asset $million	Liability $million	Change in fair value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	8,672	–	(251)	(166)	3
Debt securities and other eligible bills	36,932	–	268	–	495	(98)
Loans and advances to customers	454	–	9	–	8	(1)
Total at 31 December 2019	37,386	8,672	277	(251)	337	(96)

1 This represents a credit/(debit) to the balance sheet value

Income statement impact of fair value hedges

	2020 $million Income/ (expense)	2019 $million Income/ (expense)
Change in fair value of hedging instruments	**(489)**	(326)
Change in fair value of hedged risks attributable to hedged items	**491**	337
Net ineffectiveness gain to net trading income	**2**	11
Amortisation loss to net interest income	**(55)**	(7)

13. Derivative financial instruments continued

Hedging instruments and ineffectiveness

Company

Interest rate[1]	2020 Notional $million	Carrying amount Asset $million	Carrying amount Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	15,257	707	14	232	1
Interest rate swaps – loans and advances	463	–	12	(6)	–
Interest rate swaps – debt securities and other eligible bills	26,114	20	324	(675)	2
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	48	–	9	5	–
Cross currency swaps – debt securities and other eligible bills	102	8	–	(5)	(1)
Total at 31 December 2020	41,984	735	359	(449)	2

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

Interest rate[1]	2019 Notional $million	Carrying Amount Asset $million	Carrying Amount Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	8,379	434	4	160	(1)
Interest rate swaps – loans and advances	445	–	10	(8)	–
Interest rate swaps – debt securities and other eligible bills	34,370	43	352	(437)	11
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	338	–	109	7	1
Cross currency swaps – debt securities and other eligible bills	99	13	–	(6)	(1)
Total at 31 December 2019	43,631	490	475	(284)	10

1 Interest rate swaps are designated in hedges of the fair value of interest rate risk attributable to the hedged item. Cross currency swaps are used to hedge both interest rate and currency risks. All the hedging instruments are derivatives, with changes in fair value including hedge ineffectiveness recorded within net trading income

Hedged Items in fair value hedges

	2020 Carrying amount Asset $million	Carrying amount Liability $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Asset $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Liability $million	Change in the value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	15,051	–	585	(237)	3
Debt securities and other eligible bills	26,957	–	246	–	681	(65)
Loans and advances to customers	473	–	10	–	6	(1)
Total at 31 December 2020	27,430	15,051	256	585	450	(63)

13. Derivative financial instruments continued

	2019					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount			
	Asset $million	Liability $million	Asset $million	Liability $million	Change in fair value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Issued notes	–	8,672	–	(251)	(166)	3
Debt securities and other eligible bills	34,868	–	230	–	454	(74)
Loans and advances to customers	454	–	9	–	8	(1)
Total at 31 December 2019	35,322	8,672	239	(251)	296	(72)

1 This represents a credit/(debit) to the balance sheet value

Income statement impact of fair value hedges

	2020 $million Income/ (expense)	2019 $million Income/ (expense)
Change in fair value of hedging instruments	**(449)**	(284)
Change in fair value of hedged risks attributable to hedged items	**450**	296
Net ineffectiveness gain to net trading income	**1**	12
Amortisation (loss)/gain to net interest income	**(49)**	7

Cash flow hedges

The Group has exposure to market movements in future interest cash flows on portfolios of customer accounts, debt securities and loans and advances to customers. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults.

The hedging strategy of the Group involves using interest rate swaps to manage the variability in future cash flows on assets and liabilities that have floating rates of interest by exchanging the floating rates for fixed rates. It also uses foreign exchange contracts and currency swaps to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies. This is done on both a micro basis whereby a single interest rate or cross currency swap is designated in a separate relationship with a single hedged item (such as a floating rate loan to a customer), and on a portfolio basis whereby each hedging instrument is designated against a group of hedged items that share the same risk (such as a group of customer accounts).

The hedged risk is determined as the variability of future cash flows arising from changes in the designated benchmark interest rate, e.g. one-month or three-month LIBOR.

Hedging instruments and ineffectiveness

Group

	2020						
		Carrying amount					
	Notional $million	**Asset $million**	**Liability $million**	**Change in fair value used to calculate hedge ineffectiveness $million**	**Gain/(loss) recognised in OCI $million**	**Ineffectiveness gain/(loss) recognised in net trading income $million**	**Amount reclassified from reserves to income $million**
Interest rate risk							
Interest rate swaps	**1,441**	**12**	**21**	**9**	**9**	**–**	**–**
Currency risk							
Forward foreign exchange contract	**164**	**21**	**–**	**14**	**14**	**–**	**–**
Cross currency swaps	**278**	**–**	**12**	**39**	**39**	**–**	**–**
Total as at 31 December 2020	**1,883**	**33**	**33**	**62**	**62**	**–**	**–**

13. Derivative financial instruments continued

	2019						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain/(loss) recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	1,277	2	16	21	21	–	–
Currency risk							
Forward foreign exchange contract	289	6	20	6	6	–	–
Cross currency swaps	878	5	1	26	26	–	–
Total as at 31 December 2019	2,444	13	37	53	53	–	–

Hedged items in cash flow hedges

	2020		
	Change in fair value used for calculating hedge ineffectiveness $million	**Cash flow hedge reserve $million**	**Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million**
Customer accounts	**19**	**(19)**	**–**
Debt securities and other eligible bills	**1**	**–**	**–**
Loans and advances to customers	**(22)**	**9**	**2**
Forecast cashflow currency hedge	**(14)**	**21**	**–**
Intragroup borrowing currency hedge	**(46)**	**1**	**–**
Total at 31 December 2020	**(62)**	**12**	**2**

	2019		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	(14)	(6)	–
Debt securities and other eligible bills	3	–	–
Loans and advances to customers	(32)	(10)	(1)
Intragroup lending currency hedge	(9)	(6)	–
Total at 31 December 2019	(52)	(22)	(1)

Impact of cash flow hedges on profit and loss and other comprehensive income

	2020 Income/ (expense) $million	2019 Income/ (expense) $million
Cash flow hedge reserve balance as at 1 January	**(11)**	(27)
Discontinued operations	**–**	(12)
(Losses)/gains recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	**(9)**	42
Gains reclassified to income statement when hedged item affected net profit	**9**	8
Taxation credit/(charge) relating to cash flow hedges	**16**	(22)
Cash flow hedge reserve balance as at 31 December	**5**	(11)

13. Derivative financial instruments continued

Hedging instruments and ineffectiveness

Company

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain/(loss) recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	541	–	21	(12)	(12)	–	–
Currency risk							
Forward foreign exchange contract	164	21	–	14	14	–	–
Cross currency swaps	278	–	12	40	40	–	–
Total as at 31 December 2020	983	21	33	42	42	–	–

	2019						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain/(loss) recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million	Amount reclassified from reserves to income $million
Interest rate risk							
Interest rate swaps	277	–	7	(11)	(11)	–	–
Currency risk							
Forward foreign exchange contract	119	6	–	9	9	–	–
Cross currency swaps	878	5	1	26	26	–	–
Total as at 31 December 2019	1,274	11	8	24	24	–	–

Hedged items in cash flow hedges

	2020		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	19	(19)	–
Forecast cashflow currency hedge	(14)	21	–
Intragroup lending currency hedge	–	–	–
Intragroup borrowing currency hedge	(46)	1	–
Total at 31 December 2020	(41)	3	–

13. Derivative financial instruments continued

	2019		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	(14)	(6)	–
Debt securities and other eligible bills	–	1	–
Loans and advances to customers	–	–	(1)
Intragroup lending currency hedge	(9)	(6)	–
Total at 31 December 2019	(23)	(11)	(1)

Impact of cash flow hedges on profit and loss and other comprehensive income

	2020 Income/ (expense) $million	2019 Income/ (expense) $million
Cash flow hedge reserve balance as at 1 January	(27)	(42)
(Loss)/gain recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	(23)	33
Gains reclassified to income statement when hedged item affected net profit	1	2
Taxation credit/(charge) relating to cash flow hedges	17	(20)
Cash flow hedge reserve balance as at 31 December	(32)	(27)

Net investment hedges

Foreign currency exposures arise from investments in subsidiaries that have a different functional currency from that of the presentation currency of the Group. This risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's presentation currency, which causes the value of the investment to vary.

The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory ratios of the Group and its banking subsidiaries. The Group uses foreign exchange forwards to manage the effect of exchange rates on its net investments in foreign subsidiaries.

Hedging instruments and ineffectiveness

Group

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	685	–	31	(11)	(11)	–	–

	2019						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	701	14	–	(14)	(14)	–	–

1 These derivative forward currency contracts have a maturity of less than one year. The hedges are rolled on a periodic basis

13. Derivative financial instruments continued

Hedged items in net investment hedges

	2020		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	11	(31)	–

	2019		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	14	(14)	–

Impact of net investment hedges on other comprehensive income

	2020 Income/ (expense) $million	2019 Income/ (expense) $million
(Losses)/gains recognised in other comprehensive income	(11)	191

Hedging instruments and ineffectiveness

Company

	2020						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	685	–	(31)	(11)	(11)	–	–

	2019						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[1]	701	14	–	(14)	(14)	–	–

1 These derivative forward currency contracts have a maturity of less than one year. The hedges are rolled on a periodic basis

13. Derivative financial instruments continued

Hedged items in net investment hedges

	2020		
	Change in the value used for calculating hedge ineffectiveness $million	**Translation reserve $million**	**Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million**
Net investments	**11**	**(31)**	**–**

	2019		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	14	(14)	–

Impact of net investment hedges on other comprehensive income

	2020 Income/ (expense) $million	2019 Income/ (expense) $million
(Losses)/gains recognised in other comprehensive income	**(11)**	191

13. Derivative financial instruments continued

Maturity of hedging instruments

Group

Fair value hedges		2020 Less than one month	2020 More than one month and less than one year	2020 One to five years	2020 More than five years
Interest rate swap					
Notional	$million	1,154	9,273	26,549	6,847
Average fixed interest rate	USD	1.41%	1.15%	1.29%	1.82%
	EUR	–	(0.52)%	(0.18)%	(0.08)%
Cross currency swap					
Notional	$million	–	55	96	–
Average fixed interest rate (to USD)	GBP	–	3.75%	5.26%	–
Average exchange rate	GBP/USD	–	0.66	0.61	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	551	890	–
Average fixed interest rate	USD	–	0.96%	1.38%	–
Cross currency swap					
Notional	$million	–	207	71	–
Average fixed interest rate	INO	–	4.00%	3.85%	–
Average exchange rate	INO/USD	–	75.56	68.85	–
Forward foreign exchange contracts					
Notional	$million	27	137	–	–
Average exchange rate	GBP/USD	0.84	0.84	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	685	–	–	–
Average exchange rate	INR[1]/USD	76.67	–	–	–

1 Offshore currency

13. Derivative financial instruments continued

Fair value hedges		2019 Less than one month	2019 More than one month and less than one year	2019 One to five years	2019 More than five years
Interest rate swap					
Notional	$million	28	6,670	33,682	4,751
Average fixed interest rate	USD	1.66%	2.10%	2.30%	4.12%
Cross currency swap					
Notional	$million	–	383	146	–
Average fixed interest rate (to USD)	GBP	–	5.38%	4.71%	–
Average exchange rate	GBP/USD	–	0.55	0.63	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	27	1,250	–
Average fixed interest rate	USD	–	2.18%	1.33%	–
	HKD	–	–	–	–
Cross currency swap					
Notional	$million	–	778	100	–
Average fixed interest rate	INR[1]	–	4.32%	3.85%	–
Average exchange rate	KRW[1]/USD	–	69.43	68.85	–
Forward foreign exchange contracts					
Notional	$million	196	93	–	–
Average exchange rate	INR[1]/USD	81.20	–	–	–
	INR/USD	81.01	–	–	–
	GBP/USD	0.80	0.79	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	701	–	–	–
Average exchange rate	CNY/USD	70.09	–	–	–

1 Offshore currency

13. Derivative financial instruments continued

Maturity of hedging instruments

Company

Fair value hedges		Less than one month (2020)	More than one month and less than one year (2020)	One to five years (2020)	More than five years (2020)
Interest rate swap					
Notional	$million	1,150	8,750	25,109	6,824
Average fixed interest rate	USD	1.41%	1.14%	1.25%	1.82%
	EUR	–	–	(0.18)%	(0.08)%
Cross currency swap					
Notional	$million	–	55	96	–
Average fixed interest rate (to USD)	EUR	–	–	–	–
	GBP	–	3.75%	5.26%	–
Average exchange rate	EUR/USD	–	–	–	–
	GBP/USD	–	0.66	0.61	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	251	290	–
Average fixed interest rate	GBP	–	0.45%	–	–
	USD	–	1.02%	2.26%	–
Cross currency swap					
Notional	$million	–	207	71	–
Average fixed interest rate	INO	–	4.00%	3.85%	–
Average exchange rate	INO/USD	–	75.56	68.85	–
Forward foreign exchange contracts					
Notional	$million	27	137	–	–
Average exchange rate	GBP/USD	0.84	0.84	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	685	–	–	–
Average exchange rate	INR[1]/USD	76.67	–	–	–
	KRW[1]/USD	–	–	–	–
	TWD[1]/USD	–	–	–	–

1 Offshore currency

13. Derivative financial instruments continued

		2019			
Fair value hedges		Less than one month	More than one month and less than one year	One to five years	More than five years
Interest rate swap					
Notional	$million	15	6,386	32,042	4,751
Average fixed interest rate	USD	1.66%	2.07%	2.29%	4.12%
Cross currency swap					
Notional	$million	–	291	146	–
Average fixed interest rate (to USD)	GBP	–	5.38%	4.71%	–
Average exchange rate	GBP/USD	–	0.55	0.63	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	27	250	–
Average fixed interest rate	HKD	–	–	–	–
	USD	–	2.18%	2.26%	–
Cross currency swap					
Notional	$million	–	778	100	–
Average fixed interest rate	INR[1]	–	4.32%	3.85%	–
Average exchange rate	INR[1]/USD	–	69.43	68.85	–
Forward foreign exchange contracts					
Notional	$million	26	93	–	–
Average exchange rate	GBP/USD	0.80	0.79	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	701	–	–	–
Average exchange rate	INR/USD	70.09	–	–	–

1 Offshore currency

13. Derivative financial instruments continued

Interest rate benchmark reform

The Group applies the Phase 1 'Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7' which allow the Group to assume that the interest rate benchmark on which cash flows for the hedged item and/or hedging instrument are based is are altered as a result of IBOR reform for the following activities:

- Prospective hedge assessment
- Determining whether a cash flow or forecast transaction for a cash flow hedge is highly probable. However, the Group otherwise assesses whether the cash flows are considered highly probable
- Determining when cumulative balances in the cash flow hedge reserve from de-designated hedges should be recycled to the income statement

The Group will not de-designate a hedge relationship of a benchmark in scope of IBOR reform if the retrospective hedge result is outside the required 80-125% range, but the hedge passes the prospective assessment. Any hedge ineffectiveness continues to be recorded in net trading income.

For hedges of non-contractually specified benchmark portions of an interest rate (such as fair value hedges of interest rate risk on fixed rate debt instruments) the Group only assesses whether the designated benchmark is separately identifiable at hedge inception. The choice of designated benchmark is not revisited for existing hedge relationships.

In applying these amendments the Group has made the following key assumptions for the period end, to be reviewed on an ongoing basis:

- The interest rate benchmarks applicable to the Group that are in scope of the IFRS amendments are all LIBOR's, EONIA, Singapore Swap Offer Rate (SGD SOR) and Thai Baht Interest Rate fixing (THB FIX)
- EURIBOR is not in scope of the IFRS amendments because its revised methodology incorporates market transaction data, hence the benchmark is expected to continue to exist in future reporting periods
- The Group believes it is too early to reliably estimate when interest rate benchmark uncertainty will be resolved for all benchmarks assumed to be in scope of the amendments. It therefore assumes that the uncertainty arising from interest rate benchmark reform will be present until 31 December 2021, at which time the amendments to IFRS no longer apply

The Group has established an IBOR Transition Programme that is overseen by the Group's Chief Operating Officer, and updates a number of committees including the Board Risk Committee and Group Risk Committee regularly updated. The programme comprises a series of business and function workstreams, with oversight and coordination of the specific areas and risks provided by a central project team. The key objectives of these workstreams include identifying all contracts in scope of benchmark reform, upgrading internal systems to support business in the alternative RFR product suite, identifying and communicating to customers with whom repricing and/or re-papering IBOR-referenced contracts is required and executing the necessary change in contracts. Workstreams actively participate in industry-wide working groups to ensure they are kept informed of the latest developments and are consistent with the approaches of other market participants.

As at 31 December 2020, the following populations of derivative instruments designated in fair value or cash flow hedge accounting relationships were linked to IBOR reference rates:

Group

	Fair value hedges		Cash flow hedges			
	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Total $million	Weighted average exposure Years
Interest rate swaps						
USD LIBOR	6,937	20,605	345	850	28,737	2.6
GBP LIBOR	268	84	89	–	441	1.7
JPY LIBOR	116	1,591	–	–	1,707	3.4
SGD SOR	360	123	–	–	483	1.2
	7,681	22,403	434	850	31,368	2.6
Cross currency swaps						
USD LIBOR vs Fixed rate foreign currency	55	96	–	–	151	1.8
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2020	7,736	22,499	434	850	31,519	2.6

13. Derivative financial instruments continued

	Fair value hedges		Cash flow hedges			
	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Total $million	Weighted average exposure Years
Interest rate swaps						
USD LIBOR	19,217	14,579	300	950	35,046	2.3
GBP LIBOR	613	3,351	–	–	3,964	3.9
JPY LIBOR	160	385	–	–	545	4.9
SGD SOR	563	132	–	–	695	1.7
	20,553	18,447	300	950	40,250	2.5
Cross currency swaps						
USD LIBOR vs Fixed rate foreign currency	436	93	–	–	529	1.1
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2019	20,989	18,540	300	950	40,779	2.5

Company

	Fair value hedges		**Cash flow hedges**			
	Notional designated up to 31 December 2021 $million	**Notional designated beyond 31 December 2021 $million**	**Notional designated up to 31 December 2021 $million**	**Notional designated beyond 31 December 2021 $million**	**Total $million**	**Weighted average exposure Years**
Interest rate swaps						
USD LIBOR	**6,895**	**19,394**	**45**	**250**	**26,584**	**2.7**
GBP LIBOR	**268**	**84**	**89**		**441**	**1.7**
JPY LIBOR	**116**	**1,591**	**–**	**–**	**1,707**	**3.4**
	7,279	**21,069**	**134**	**250**	**28,732**	**2.7**
Cross currency swaps						
USD LIBOR vs Fixed rate foreign currency	**55**	**96**	**–**	**–**	**151**	**1.8**
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2020	**7,334**	**21,165**	**134**	**250**	**28,883**	**2.7**

	Fair value hedges		Cash flow hedges			
	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Notional designated up to 31 December 2021 $million	Notional designated beyond 31 December 2021 $million	Total $million	Weighted average exposure Years
Interest rate swaps						
USD LIBOR	18,726	13,351	–	250	32,327	2.3
GBP LIBOR	613	3,351	–		3,964	3.9
JPY LIBOR	160	385	–	–	545	4.9
SGD SOR	563	132	–	–	695	1.7
	20,062	17,219	–	250	37,531	2.5
Cross currency swaps						
USD LIBOR vs Fixed rate foreign currency	344	93	–	–	437	1.3
Total notional of hedging instruments in scope of IFRS amendments as at 31 December 2019	20,406	17,312	–	250	37,968	2.5

14. Loans and advances to banks and customers

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
Loans and advances to banks	**27,679**	36,953	**15,003**	22,268
Expected credit loss	**(13)**	(5)	**(6)**	(3)
	27,666	36,948	**14,997**	22,265
Loans and advances to customers	**146,778**	144,324	**77,136**	80,817
Expected credit loss	**(5,917)**	(5,143)	**(4,167)**	(3,972)
	140,861	139,181	**72,969**	76,845
Total loans and advances to banks and customers	**168,527**	176,129	**87,966**	99,110

Analysis of loans and advances to customers by client segments and related impairment provisions as set out within the Risk review and Capital review (page 64).

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing

Accounting policy

The Group purchases securities (a reverse repurchase agreement – 'reverse repo') typically with financial institutions subject to a commitment to resell or return the securities at a predetermined price. These securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership, however they are recorded off-balance sheet as collateral received. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is managed on a fair value basis or designated at fair value through profit or loss. In the majority of cases through the contractual terms of a reverse repo arrangement, the Group as the transferee of the security collateral has the right to sell or repledge the asset concerned.

The Group also sells securities (a repurchase agreement – 'repo') subject to a commitment to repurchase or redeem the securities at a predetermined price. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership and these securities are disclosed as pledged collateral. Consideration received (or cash collateral received) is accounted for as a financial liability at amortised cost, unless it is either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. The Group is obliged to return equivalent securities.

Repo and reverse repo transactions typically entitle the Group and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default. Securities sold subject to repos, either by way of a Global Master Repurchase Agreement (GMRA), or through a securities sale and Total Return Swap (TRS) continue to be recognised on the balance sheet as the Group retains substantially the associated risks and rewards of the securities (the TRS is not recognised). The counterparty liability is included in deposits by banks or customer accounts, as appropriate. Assets sold under repurchase agreements are considered encumbered as the Group cannot pledge these to obtain funding

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Reverse repurchase agreements and other similar secured lending

Group

	2020 $million	2019 $million
Banks	19,014	18,854
Customers	47,521	40,500
	66,535	59,354
Of which:		
Fair value through profit or loss	62,807	57,430
Banks	18,205	18,269
Customers	44,602	39,161
Held at amortised cost	3,728	1,924
Banks	809	585
Customers	2,919	1,339

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	2020 $million	2019 $million
Securities and collateral received (at fair value)	98,525	85,191
Securities and collateral which can be repledged or sold (at fair value)	98,431	85,087
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	46,209	44,530

Company

	2020 $million	2019 $million
Banks	17,938	18,351
Customers	46,662	40,015
	64,600	58,366
Of which:		
Fair value through profit or loss	62,262	57,041
Banks	17,883	18,205
Customers	44,379	38,836
Held at amortised cost	2,338	1,325
Banks	55	146
Customers	2,283	1,179

Under reverse repurchase and securities borrowing arrangements, the Company obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	2020 $million	2019 $million
Securities and collateral received (at fair value)	96,113	84,180
Securities and collateral which can be repledged or sold (at fair value)	96,091	84,110
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	46,180	44,469

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Repurchase agreements and other similar secured borrowing

Group

	2020 $million	2019 $million
Banks	5,824	7,364
Customers	41,555	38,634
	47,379	45,998
Of which:		
Fair value through profit or loss	47,359	45,820
Banks	5,804	7,363
Customers	41,555	38,457
Held at amortised cost	20	178
Banks	20	1
Customers	–	177

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

	2020				
Collateral pledged against repurchase agreements	**Fair value through profit or loss $million**	**Fair value through other comprehensive income $million**	**Amortised cost $million**	**Off-balance sheet $million**	**Total $million**
On-balance sheet					
Debt securities and other eligible bills	1,324	201	355	–	1,880
Off-balance sheet					
Repledged collateral received	–	–	–	46,209	46,209
At 31 December 2020	1,324	201	355	46,209	48,089

	2019				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Fair value through other comprehensive income $million	Amortised cost $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	566	329	1,023	–	1,918
Off-balance sheet					
Repledged collateral received	–	–	–	44,530	44,530
At 31 December 2019	566	329	1,023	44,530	46,448

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Company

	2020 $million	2019 $million
Banks	5,692	7,131
Customers	41,555	38,634
	47,247	45,765
Of which:		
Fair value through profit or loss	47,247	45,587
Banks	5,692	7,130
Customers	41,555	38,457
Held at amortised cost	–	178
Banks	–	1
Customers	–	177

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

	2020				
Collateral pledged against repurchase agreements	**Fair value through profit or loss $million**	**Fair value through other comprehensive income $million**	**Amortised cost $million**	**Off-balance sheet $million**	**Total $million**
On-balance sheet					
Debt securities and other eligible bills	1,222	201	355	–	1,778
Off-balance sheet					
Repledged collateral received	–	–	–	46,180	46,180
At 31 December 2020	1,222	201	355	46,180	47,958

	2019				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Fair value through other comprehensive income $million	Amortised cost $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	394	329	1,023	–	1,746
Off-balance sheet					
Repledged collateral received	–	–	–	44,469	44,469
At 31 December 2019	394	329	1,023	44,469	46,215

16. Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on discounting expected cash flows of the relevant cash generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group which generate separate cash inflows and at which the goodwill is monitored for internal management purposes. These are equal to or smaller than the Group's reportable segments (as set out in Note 2) as the Group views its reportable segments on a global basis. The major CGUs to which goodwill has been allocated are set out in the CGU table (page 260).

16. Goodwill and intangible assets continued

Significant accounting estimates and judgements

The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Judgement is also applied in determination of cash generating units.

Estimates include forecasts used for determining cash flows for CGUs and, the appropriate long term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. These estimates are periodically assessed for appropriateness. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over a three to five year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include; cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

16. Goodwill and intangible assets continued

Group

	2020				2019			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	1,828	137	2,738	4,703	2,690	493	2,834	6,017
Discontinued operations	–	–	–	–	(722)	(340)	(320)	(1,382)
Continuing operations	1,828	137	2,738	4,703	1,968	153	2,514	4,635
Exchange translation differences	(17)	(5)	41	19	(22)	(4)	54	28
Additions	–	–	623	623	–	–	526	526
Disposals	–	–	–	–	(95)	(1)	(3)	(99)
Impairment	(403)	–	–	(403)	(23)	–	–	(23)
Amounts written off	–	–	(385)	(385)	–	(11)	(353)	(364)
At 31 December	1,408	132	3,017	4,557	1,828	137	2,738	4,703
Provision for amortisation								
At 1 January	–	119	841	960	–	441	944	1,385
Discontinued operations	–	–	–	–	–	(315)	(168)	(483)
Continuing operations	–	119	841	960	–	126	776	902
Exchange translation differences	–	(6)	10	4	–	(4)	10	6
Amortisation	–	4	409	413	–	9	367	376
Impairment charge	–	–	15	15	–	–	12	12
Disposals	–	–	–	–	–	(1)	–	(1)
Amounts written off	–	–	(331)	(331)	–	(11)	(324)	(335)
At 31 December	–	117	944	1,061	–	119	841	960
Net book value	1,408	15	2,073	3,496	1,828	18	1,897	3,743

At 31 December 2020, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $3,227 million (31 December 2019: $2,824 million), of which $403 million was recognised in 2020 (31 December 2019: $23 million).

Company

	2020				2019			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	344	33	2,509	2,886	955	40	2,424	3,419
Exchange translation differences	(8)	(1)	38	29	(13)	1	44	32
Additions	–	–	445	445	–	1	387	388
Disposals	–	–	–	–	–	–	(3)	(3)
Impairment	(257)	–	–	(257)	(598)	–	–	(598)
Amounts written off	–	–	(345)	(345)	–	(9)	(343)	(352)
At 31 December	79	32	2,647	2,758	344	33	2,509	2,886
Provision for amortisation								
At 1 January	–	17	752	769	–	23	723	746
Exchange translation differences	–	(1)	10	9	–	1	9	10
Amortisation	–	2	322	324	–	2	323	325
Impairment charge	–	–	13	13	–	–	12	12
Disposals	–	–	–	–	–	–	–	–
Amounts written off	–	–	(315)	(315)	–	(9)	(315)	(324)
At 31 December	–	18	782	800	–	17	752	769
Net book value	79	14	1,865	1,958	344	16	1,757	2,117

16. Goodwill and intangible assets continued

Goodwill

Testing of goodwill for impairment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. Indicators of impairment include changes in the economic performance and outlook of the region including geopolitical changes, changes in market value of regional investments, large credit defaults and strategic decisions to exit certain regions. The recoverable amounts for all the CGUs were measured based on value-in-use (ViU). The calculation of ViU for each CGU is calculated using five-year cash flow projections and an estimated terminal value based on a perpetuity value after year five. The cash flow projections are based on forecasts approved by management up to 2025. The perpetuity terminal value amount is calculated using year five cash flows using long-term GDP growth rates. All cash flows are discounted using discount rates which reflect market rates appropriate to the CGU.

The goodwill allocated to each CGU and key assumptions used in determining the recoverable amounts are set out below and are solely estimates for the purposes of assessing impairment of acquired goodwill.

Group

	2020			2019		
Cash generating unit	Goodwill $million	Discount Rates per cent	Long-term forecast GDP growth rates per cent	Goodwill $million	Discount Rates per cent	Long-term forecast GDP growth rates per cent
Country CGUs						
Africa & Middle East	**270**			441		
Pakistan	**179**	**15.0**	**5.1**	183	31.4	4.0
UAE	**–**	**–**	**–**	167	8.5	2.5
Others (4)[1]	**91**	**8.1-14.4**	**2.8-5.8**	91	8.9-16.6	2.5-4.9
ASEAN & South Asia	**331**			575	–	
India	**–**	**–**	**–**	227	23.2	7.3
Singapore	**283**	**10.3**	**3.0**	280	12.2	1.9
Others [2]	**48**	**12.8-13.4**	**6.9-7.2**	68	13.8-17.3	3.3-7.3
Global CGUs	**807**			812		
Global Private Banking	**84**	**10.0**	**3.6**	84	11.2	3.5
Global Corporate & Institutional Banking	**723**	**10.0**	**3.0**	728	11.5	3.5
	1,408			1,828		

1 Bahrain, Ghana, Jordan and Qatar

2 Bangladesh and Vietnam. Indonesia and Brunei goodwill was written off in 2020

Four country CGUs; India, UAE, Indonesia and Brunei have had all the goodwill allocated to them written off, totalling $403 million. This was primarily due to lower economic growth forecasts, higher discount rates and forward-looking cash flows reflecting lower interest rate environments. As a result, the carrying amount of each CGU, which included goodwill, was greater than the recoverable amount.

In view of the increased economic uncertainty caused by the COVID-19 pandemic, the Group has performed sensitivity analysis on the key assumptions for each CGU's recoverable amount. The following CGUs are considered sensitive to the key variables and any individual movements on the estimates (cashflow, discount rate and GDP growth rate) up to the levels disclosed below would eliminate the current headroom.

16. Goodwill and intangible assets continued

					2020										
					Sensitivities										
		Base case			GDP		Discount rates		Cashflow		Cashflow		Cashflow	Downside scenario	Extreme downside scenario
					+1%	-1%	+1%	-1%	+10%	-10%	+20%	-20%	-30%	GDP – 1% DR + 1% CF – 10%	GDP – 1% DR + 1% CF – 20%
CGU	Goodwill	Headroom $million	Discount rate	GDP	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million	Headroom $million
Global-CIB	723	308	10.0%	3.0%	2,610	(1,419)	(1,927)	3,291	2,428	(1,811)	4,547	(3,931)	(6,050)	(4,895)	(6,567)
Global- PB	84	13	10.0%	3.6%	145	(83)	(107)	178	110	(85)	208	(182)	(280)	(252)	(325)

The table above represents reasonably possible scenarios that could occur if either; economic factors (which drive GDP rates and discount rates); country specific cash flows; or a combination of both are different from the assumptions used in the goodwill impairment assessment at 31 December 2020.

For there to be no headroom, the discount rate will need to increase by 0.1 per cent, 0.1 per cent for CIB and PB respectively. Similarly, the GDP rates will need to decrease by 0.2 per cent, 0.1 per cent, and cash flows would need to decrease by 1.5 per cent, 1.3 per cent for CIB and PB respectively.

Company

Acquired intangibles primarily comprise those recognised as part of the acquisitions of American Express Bank, Tradewinds, Australia and New Zealand Project Finance and Grindlays.

Significant items of goodwill arising on acquisitions have been allocated to the following cash generating units for the purposes of impairment testing:

	2020 $million	2019 $million
Country CGUs		
India	–	142
Others[1]	**79**	202
	79	344

1 Bahrain, Bangladesh, Jordan and Qatar. UAE goodwill was written off in 2020

Two country CGUs; India and UAE have had all the goodwill allocated to them written off, totalling $257 million. This was primarily due to lower economic growth forecasts, and higher discount rates than year-end. As a result, the carrying amount of each CGU, which included goodwill, was greater than the recoverable amount.

Acquired intangibles

These primarily comprise those items recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), American Express Bank and ABSA's custody business in Africa.

The acquired intangibles are amortised over periods from four years to a maximum of 16 years. The constituents are as follows:

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
Acquired intangibles comprise:				
Customer relationships	**7**	12	**4**	7
Licences	**8**	6	**10**	9
Net book value	**15**	18	**14**	16

17. Property, plant and equipment

Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

At each balance sheet date the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings — up to 50 years
- Leasehold improvements life of lease — up to 50 years
- Equipment and motor vehicles — three to 15 years
- Aircraft — up to 18 years
- Ships — up to 15 years

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities, in accordance with the Group's leased assets accounting policy in Note 18.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Group

	2020				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	706	520	846	2	2,074
Exchange translation differences	(17)	(8)	(7)	2	(30)
Additions[1]	18	90	60	2	170
Disposals and fully depreciated assets written off[2]	(38)	(32)	(37)	–	(107)
Transfers to assets held for sale	(3)	–	–	–	(3)
As at 31 December	666	570	862	6	2,104
Depreciation					
Accumulated at 1 January	287	316	139	2	744
Exchange translation differences	(6)	(5)	(5)	–	(16)
Charge for the year	36	89	132	2	259
Attributable to assets sold, transferred or written off[2]	(34)	(32)	(17)	–	(83)
Transfers to assets held for sale	(1)	–	–	–	(1)
Accumulated at 31 December	282	368	249	4	903
Net book amount at 31 December	384	202	613	2	1,201

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $170 million on page 168

2 Disposals for property, plant and equipment during the year of $25 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

17. Property, plant and equipment continued

	2019					
	Premises $million	Equipment $million	Operating lease assets $million	Leased premises assets[3] $million	Leased equipment assets[3] $million	Total $million
Cost or valuation						
At 1 January	2,069	767	5,305	1,405	1	9,547
Discontinued operations	(1,358)	(280)	(5,305)	(601)	–	(7,544)
Continuing operations	711	487	–	804	1	2,003
Exchange translation differences	(14)	(13)	–	(29)	–	(56)
Additions	48[1]	99[1]	–	75	–	222
Disposals and fully depreciated assets written off	(24)[2]	(53)[2]	–	(4)	1	(80)
Transfers to assets held for sale	(15)	–	–	–	–	(15)
As at 31 December	706	520	–	846	2	2,074
Depreciation						
Accumulated at 1 January	705	496	957	–	1	2,159
Discontinued operations	(432)	(195)	(957)	–	–	(1,584)
Continuing operations	273	301	–	–	1	575
Exchange translation differences	(2)	(8)	–	–	–	(10)
Charge for the year	39	76	–	137	1	253
Attributable to assets sold, transferred or written off	(18)[2]	(53)[2]	–	(1)	–	(72)
Transfers to assets held for sale	(5)	–	–	3	–	(2)
Accumulated at 31 December	287	316	–	139	2	744
Net book amount at 31 December	419	204	–	707	–	1,330

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $147 million on page 168

2 Disposals for property, plant and equipment during the year of $12 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

3 Leased premises assets and leased equipment assets were newly recognised on 1 January 2019 due to the adoption of IFRS 16 Leases. The Group applied the modified retrospective transition approach, such that the right-of-use asset recognised equalled the lease liability, adjusted for prepayments and accruals recognised under IAS 17 as of 31 December 2018

17. Property, plant and equipment continued

Company

	2020				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	322	241	590	1	1,154
Exchange translation differences	(9)	(1)	–	–	(10)
Additions[1]	11	41	17	–	69
Disposals, transfers and fully depreciated assets written off[2]	(11)	(19)	(31)	–	(61)
As at 31 December	313	262	576	1	1,152
Depreciation					
Accumulated at 1 January	130	113	96	1	340
Exchange translation differences	(3)	–	1	–	(2)
Charge for the year	17	46	82	–	145
Attributable to assets sold, transferred or written off[2]	(7)	(19)	(13)	–	(39)
Accumulated at 31 December	137	140	166	1	444
Net book amount at 31 December	176	122	410	–	708

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $69 million on page 168

2 Disposals for property, plant and equipment during the year of $20 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

	2019				
	Premises $million	Equipment $million	Leased premises assets[1] $million	Leased equipment assets[1] $million	Total $million
Cost or valuation					
At 1 January	305	214	598	1	1,118
Exchange translation differences	(3)	1	3	–	1
Additions	21[2]	53[2]	30	–	104
Disposals and fully depreciated assets written off	(13)[3]	(26)[3]	(3)	–	(42)
Transfers to assets held for sale	12	(1)	(38)	–	(27)
As at 31 December	322	241	590	1	1,154
Depreciation					
Accumulated at 1 January	98	101	–	1	200
Exchange translation differences	–	–	1	–	1
Charge for the year	20	39	94	–	153
Attributable to assets sold, transferred or written off	(7)[3]	(26)[3]	–	–	(33)
Transfers to assets held for sale	19	(1)	1	–	19
Accumulated at 31 December	130	113	96	1	340
Net book amount at 31 December	192	128	494	–	814

1 Leased premises assets and leased equipment assets were newly recognised on 1 January 2019 due to the adoption of IFRS 16 Leases. The Group applied the modified retrospective transition approach, such that the right-of-use asset recognised equalled the lease liability, adjusted for prepayments and accruals recognised under IAS 17 as of 31 December 2018

2 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $74 million on page 168

3 Disposals for property, plant and equipment during the year of $9 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed

18. Leased assets

Accounting policy

The Group assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

The judgements in determining lease balances are the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Group considers a range of characteristics such as premises function, regional trends and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised. Where a change in assumption is confirmed by the local property management team, a remeasurement is performed in the Group-managed vendor system.

The estimates were the determination of incremental borrowing rates in the respective economic environments. The Group uses third party broker quotes to estimate its USD cost of senior unsecured borrowing, then uses cross currency swap pricing information to determine the equivalent cost of borrowing in other currencies. If it is not possible to estimate an incremental borrowing rate through this process, other proxies such as local government bond yields are used.

The Group primarily enters lease contracts that grant it the right to use premises such as office buildings and retail branches.

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates as permitted by those contracts and changes to payments due to rent being contractually linked to an inflation index. In general the re-measurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

The total cash outflow during the year for premises and equipment leases was $134 million for Group and $111 million for Company.

The total expense during the year in respect of leases with a term less than or equal to 12 months was less than $1 million for Group.

The right-of-use asset balances and depreciation charges are disclosed in Note 17. The lease liability balances are disclosed in Note 22 and the interest expense on lease liabilities is disclosed in Note 3.

Maturity analysis

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

Group

	2020				
	One year or less $million	**Between one year and two years $million**	**Between two years and five years $million**	**More than five years $million**	**Total $million**
Other liabilities – lease liabilities	**163**	**137**	**333**	**163**	**796**

	restated 2019[1]				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	164	149	240	251	804

1 Prior year values have been restated to reflect undiscounted contractual cash flows that are allocated to the periods in which the Group is required to pay them

18. Leased assets continued

Company

	2020				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	**89**	**85**	**238**	**99**	**511**

	restated 2019[1]				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	101	89	177	169	536

1 Prior year values have been restated to reflect undiscounted contractual cash flows that are allocated to the periods in which the Group is required to pay them

19. Other assets

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy.

Commodities represent physical holdings where the Group has title and exposure to the Market Risk associated with the holding.

Commodities are fair valued with the fair value derived from observable spot or short-term futures prices from relevant exchanges.

Group

Other assets include:

	2020 $million	2019 $million
Financial assets held at amortised cost (Note 12):		
Cash collateral	**10,940**	8,780
Acceptances and endorsements[1]	**4,087**	4,037
Unsettled trades and other financial assets	**10,846**	7,568
	25,873	20,385
Non-financial assets:		
Commodities[2]	**7,239**	5,465
Other assets	**278**	548
	33,390	26,398

Company

Other assets include:

	2020 $million	2019 $million
Financial assets held at amortised cost (Note 12):		
Cash collateral	**10,385**	8,367
Acceptances and endorsements[1]	**3,285**	3,158
Unsettled trades and other financial assets	**9,825**	6,225
	23,495	17,750
Non-financial assets:		
Commodities[2]	**5,182**	4,383
Other assets	**219**	155
	28,896	22,288

1 Trade finance whereby the Group offers a guarantee of payment between trade counterparties for a fee

2 Commodities are carried at fair value and classified as Level 2

20. Assets held for sale and associated liabilities

Accounting policy

Financial instruments can be reclassified as held for sale if they are non-current assets or if they are part of a disposal group; however, these circumstances financial instruments continue to be measured per the requirements of IFRS 9 Financial Instruments. Refer to Note 12 Financial instruments for the relevant accounting policy.

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

a) Their carrying amounts will be recovered principally through sale;

b) They are available for immediate sale in their present condition; and

c) Their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale.

The assets below have been presented as held for sale following the approval of Group management and the transactions are expected to complete in 2020.

Following a decision by the Board of directors to exit the ship leasing business within CIB, the shipping portfolio has been moved to 'Held for sale'.

The financial assets reported below are classified under Level 1 $ nil million (31 December 2019: $47 million), Level 2 $25 million (31 December 2019: nil) and Level 3 $63 million (31 December 2019: $260 million).

Group

Assets held for sale	2020 $million	2019 $million
Financial assets held at fair value through profit or loss	5	307
Loans and advances to customers	5	–
Equity shares	–	307
Financial assets held at amortised cost	83	70
Loans and advances to customers	83	12
Debt securities held at amortised cost	–	58
Interests in joint venture	–	800
Property, plant and equipment	4	13
Others	4	13
	92	1,190

Liabilities held for sale	2020 $million	2019 $million
Other liabilities	–	9
	–	9

20. Assets held for sale and associated liabilities continued

Company

Assets held for sale

	2020 $million	2019 $million
Financial assets held at fair value through profit or loss	5	–
Loans and advances to customers	5	–
Financial assets held at amortised cost	83	70
Loans and advances to customers	83	12
Debt securities held at amortised cost	–	58
Interests in joint venture	–	828
Property, plant and equipment	1	12
Others	1	12
	89	910

Interest in Joint venture	2020 $million	2019 $million
As at 1 January	828	828
Disposals	(828)	–
As at 31 December	–	828

The Company accounts for its investments in joint venture at cost.

Liabilities held for sale

	2020 $million	2019 $million
Other liabilities	–	9
	–	9

Interests in joint venture

On the 20 May 2020 the Group completed the sale of its 44.56 per cent equity interest in PT Bank Permata Tbk to Bangkok Bank Public Company Limited for cash consideration of IDR 17 trillion ($1,072 million).

The profit on sale is as follows:

Group

	2020 $million
Cash Received	1,072
Less: Investment in joint venture	(800)
Gain on carrying value	272
Less: Translation and other reserve recycling and transaction costs[1]	(266)
Net gain on disposal	6

1 Includes $246 million exchange differences on translation of foreign operations

Company

The net gain on disposal was $244 million.

21. Debt securities in issue

Accounting policy
Refer to Note 12 Financial instruments for the relevant accounting policy.

Group

	2020			2019		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	19,360	9,996	29,356	20,959	10,284	31,243
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 12)	–	4,360	4,360	–	6,271	6,271
Total debt securities in issue	19,360	14,356	33,716	20,959	16,555	37,514

Company

	2020			2019		
	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million	Certificates of deposit of $100,000 or more $million	Other debt securities in issue $million	Total $million
Debt securities in issue	19,350	8,311	27,661	20,885	9,863	30,748
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 12)	–	4,203	4,203	–	6,050	6,050
Total debt securities in issue	19,350	12,514	31,864	20,885	15,913	36,798

In 2020, the Company issued a total of $1.8 billion senior notes for general business purposes of the Group as shown below:

Securities	$million
EUR 750 million callable fixed rate senior notes due 2028 (callable 2027)	917
$500 million callable floating rate senior notes due 2023 (callable 2022)	500
$400 million callable fixed rate senior notes due 2023 (callable 2022)	400
Total Senior Notes issued	1,817

In 2019, the Company issued a total of $2.1 billion senior notes for general business purposes of the Group as shown below :

Securities	$million
$1,250 million callable floating rate senior notes due 2022 (callable 2021)	1,250
JPY 45 billion callable floating rate senior notes due 2022 (callable 2021)	413
AUD 400 million callable floating rate senior notes due 2025 (callable 2024)	281
JPY 20 billion callable floating rate senior notes due 2026 (callable 2025)	184
Total Senior Notes issued (Restated)[1]	2,128

1 Total Senior Notes issued restated from $3,128m to $2,128m

Where a debt instrument is callable, the issuer has the right to call.

22. Other liabilities

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy for financial liabilities, Note 18 Leased assets for the accounting policy for leases and Note 30 Share-based payments for the accounting policy for cash-settled share-based payments.

Group

	2020 $million	2019 $million
Financial liabilities held at amortised cost (Note 12)		
Acceptances and endorsements[1]	4,087	4,037
Cash collateral	9,184	7,604
Property leases[2]	673	751
Equipment leases[2]	4	4
Unsettled trades and other financial liabilities	15,633	11,851
	29,581	24,247
Non-financial liabilities		
Other liabilities	288	232
	29,869	24,479

Company

	2020 $million	2019 $million
Financial liabilities held at amortised cost (Note 12)		
Acceptances and endorsements[1]	3,285	3,158
Cash collateral	8,581	7,328
Property leases[2]	450	530
Equipment leases[2]	–	–
Unsettled trades and other financial liabilities	10,989	7,618
	23,305	18,634
Non-financial liabilities		
Other liabilities	210	176
	23,515	18,810

1 Trade finance whereby the Group offers a guarantee of payment between trade counterparties for a fee

2 Other financial liabilities include the present value of lease liabilities, as required by IFRS 16 from 1 January 2019; refer to Note 18

23. Provisions for liabilities and charges

Accounting policy

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

23. Provisions for liabilities and charges continued

Group

	2020			2019		
	Provision for credit commitments $million	Other provisions $million	Total $million	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January	297	105	402	280	1,050	1,330
Discontinued operations				(21)	(27)	(48)
Continuing operations	297	105	402	259	1,023	1,282
Exchange translation differences	(51)	(4)	(55)	15	4	19
Transfer	–	9	9	–	–	–
Charge/(release) against profit	88	(1)	87	36	231	267
Provisions utilised	(3)	(40)	(43)	(13)	(1,153)	(1,166)
At 31 December	331	69	400	297	105	402

Company

	2020			2019		
	Provision for credit commitments $million	Other provisions $million	Total $million	Provision for credit commitments $million	Other provisions $million	Total $million
At 1 January	410	88	498	385	990	1,375
Exchange translation differences	(51)	(2)	(53)	(3)	5	2
Transfer	–	2	2	–	–	–
(Release)/charge against profit	(65)	(16)	(81)	36	237	273
Provisions utilised	–	(30)	(30)	(8)	(1,144)	(1,152)
At 31 December	294	42	336	410	88	498

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

Other provisions consist mainly of provisions for regulatory settlements and legal claims, the nature of which are described in Note 25 (page 273).

24. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Financial guarantees, trade credits and irrevocable letters of credit are the notional values of contracts issued by the Group's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date. Transaction Banking will issue contracts to clients and counterparties of clients, whereby in the event the holder of the contract is not paid, the Group will reimburse the holder of the contract for the actual financial loss suffered. These contracts have various legal forms such as letters of credit, guarantee contracts and performance bonds. The contracts are issued to facilitate trade through export and import business, provide guarantees to financial institutions where the Group has a local presence, as well as guaranteeing project financing involving large construction projects undertaken by sovereigns and corporates. The contracts may contain performance clauses which require the counterparty performing services or providing goods to meet certain conditions before a right to payment is achieved, however the Group does not guarantee this performance. The Group will only guarantee the credit of the counterparty paying for the services or goods.

Commitments are where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer under prespecified terms and conditions in the form of loans, overdrafts, future guarantees whether cancellable or not and the Group has not made payments at the balance sheet date; those instruments are included in these financial statements as commitments. Commitments and contingent liabilities are generally considered on demand as the Group may have to honour them, or the client may draw down at any time.

24. Contingent liabilities and commitments continued

Capital commitments are contractual commitments the Group has entered into to purchase non-financial assets.

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
Financial guarantees and trade credits				
Financial guarantees, trade and irrevocable letters of credit	**45,418**	39,249[1]	**36,142**	30,574[1]
	45,418	39,249	**36,142**	30,574
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend				
One year and over	**54,755**	52,404	**50,335**	47,152
Less than one year	**15,218**	11,918[2]	**12,736**	9,016[2]
Unconditionally cancellable	**28,909**	26,620[2]	**6,819**	6,579[2]
	98,882	90,942	**69,890**	62,747
Capital commitments				
Contracted capital expenditure approved by the directors but not provided for in these accounts			**6**	4

1 Financial guarantees, trade credits and irrevocable letters of credit: separate disclosure as individual line items in 2019 as follows: Group: Guarantees and irrevocable letters of credit $32,795 million, Other contingent liabilities $2,816 million, Documentary credits and short term trade related transactions $3,638 million, Company: Guarantees and irrevocable letters of credit $25,705 million, Other contingent liabilities $2,775 million, Documentary credits and short term trade related transactions $2,094 million

2 Undrawn formal standby facilities, credit lines and other commitments to lend: Group: Less than one year – restated from $21,488 million to $11,918 million. Unconditionally cancellable – restated from $17,050 million to $26,620 million, Company: Less than one year – restated from $9,422 million to $9,016 million. Unconditionally cancellable – restated from $6,173 million to $6,579 million. Certain non-revolving facilities have now been classified as unconditionally cancellable

The table below shows the contract or underlying principal amounts and risk-weighted amounts of unmatured Group off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
Financial guarantees and trade credits (Group)				
Financial guarantees, trade and irrevocable letters of credit	**2,117**	3,116[1]	**4,176**	4,305[1]
	2,117	3,116	**4,176**	4,305
Commitments (Group)				
Undrawn commitments	**37**	751	**356**	891
	37	751	**356**	891

1 Financial guarantees, trade credits and irrevocable letters of credit: separate disclosure as individual line items in 2019 as follows: Group: Guarantees and irrevocable letters of credit $2,957 million, Documentary credits and short term trade related transactions $159 million, Company: Guarantees and irrevocable letters of credit $4,144 million, Documentary credits and short term trade related transactions $161 million

The Group's share of contingent liabilities and commitments relating to joint ventures is Nil (31 December 2019: $251 million). On 20 May 2020 the Group completed the sale of its 44.56 per cent equity interest in PT Bank Permata Tbk to Bangkok Bank Public Company Limited. Please refer to Note 19 for further details. As set out in Note 26, the Group has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

25. Legal and regulatory matters

Accounting policy

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established. These uncertainties also mean that it is not possible to give an aggregate estimate of contingent liabilities arising from such legal and regulatory matters.

The Group receives legal claims against it in a number of jurisdictions and is subject to regulatory and enforcement investigations and proceedings from time to time. Apart from the matters described below, the Group currently considers none of the ongoing claims, investigations or proceedings to be material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Group's results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such period.

The Group is a defendant in a number of lawsuits that have been filed since 2014 in the United States District Courts for the Southern and Eastern Districts of New York, against a number of banks on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq. The plaintiffs allege that the defendant banks aided and abetted the unlawful conduct of US sanctioned parties in breach of the US Anti-Terrorism Act. One lawsuit has been withdrawn by the plaintiffs and the courts have ruled in favour of the banks' motions to dismiss in five of the lawsuits. Following those rulings, in one lawsuit the plaintiffs appealed against the dismissal and a ruling on their appeal is awaited. Appeals are also expected by the plaintiffs in three of the other dismissed lawsuits. The remaining lawsuits are still at an early procedural stage and have been stayed pending the outcomes of the appeals in the dismissed cases.

In January 2020, a shareholder derivative complaint was filed in the New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. Standard Chartered PLC, Standard Chartered Holdings Limited and Standard Chartered Bank are each named as "nominal defendants" in the complaint. The case is at an early procedural stage. On 23 December 2020, the Group filed a motion to dismiss the complaint.

Based on the facts currently known, it is not possible for the Group to predict the outcome of these lawsuits.

26. Subordinated liabilities and other borrowed funds

Accounting policy

Subordinated liabilities and other borrowed funds are classified as financial instruments. Refer to Note 12 Financial instruments for the accounting policy.

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

	2020 $million	2019 $million
Subordinated loan capital – issued by subsidiary undertakings		
$540 million floating rate subordinated notes due 2030 (callable 2025)[1]	540	540
	540	540
Subordinated loan capital – issued by the Company		
£675 million 5.375 per cent undated step-up subordinated notes due (callable 2020)	–	298
£200 million 7.75 per cent subordinated notes due (callable 2022)	52	53
$960 million floating rate subordinated notes due 2022	960	960
$700 million 8.0 per cent subordinated notes due 2031	454	429
$2 billion floating rate subordinated notes due 2023	2,000	2,000
$500 million floating rate subordinated notes due 2043	500	500
$1.698 billion floating rate subordinated notes due 2025 (callable 2020)	–	1,698
$2 billion floating rate subordinated notes due 2044 (callable 2039)	2,000	2,000
$250 million floating rate subordinated notes due 2048 (callable 2043)	250	250
$1 billion floating rate subordinated notes due 2029 (callable 2024)	1,000	1,000
$1.5 billion floating rate subordinated notes due 2039 (callable 2034)	–	879
$1.25 billion floating rate subordinated notes due 2032 (callable 2027)	1,250	1,250
$1 billion 3.516 per cent subordinated notes due 2030 (callable 2025)	1,066	996
£504 million floating subordinated debt 2043 (callable 2038)	688	–
$2 billion 5.3 per cent subordinated debt 2035 (callable 2030)	2,000	–
£527 million floating rate subordinated debt 2039 (callable 2034)	719	–
€1 billion 2.5 per cent subordinated debt 2030 (callable 2025)	1,223	–
	14,162	12,313
Primary capital floating rate notes		
$400 million floating rate undated subordinated notes	16	16
$300 million floating rate undated subordinated notes (Series 2)	69	69
$400 million floating rate undated subordinated notes (Series 3)	50	50
$200 million floating rate undated subordinated notes (Series 4)	26	26
£150 million floating rate undated subordinated notes	16	15
	177	176
Total for Group	14,879	13,029

1 Issued by Standard Chartered Bank (Singapore) Limited

	2020				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed rate subordinated debt	3,519	772	1,223	–	5,514
Floating rate subordinated debt	8,660	705	–	–	9,365
Total	12,179	1,477	1,223	–	14,879

	2019				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed rate subordinated debt	1,425	351	–	–	1,776
Floating rate subordinated debt	11,237	16	–	–	11,253
Total	12,662	367	–	–	13,029

26. Subordinated liabilities and other borrowed funds continued

Redemptions and repurchases during the year

On 12 February 2020, Standard Chartered Bank exercised its right to redeem the remaining USD 879 million of USD 1,500 million floating rate subordinated notes due 2039 (callable 2034).

On 14 July 2020, Standard Chartered Bank exercised its right to redeem the remaining GBP 275 million of GBP 675 million 5.375 per cent undated step-up subordinated notes (callable 2020).

On 21 October 2020, Standard Chartered Bank exercised its right to redeem USD 1,698 million floating rate subordinated notes due 2025 (callable 2020).

Issuance during the year

On 12 February 2020, Standard Chartered Bank issued GBP 527 million floating rate subordinated debt 2039 (callable 2034).

On 20 February 2020, Standard Chartered Bank issued GBP 504 million floating subordinated debt 2043 (callable 2038).

On 31 March 2020, Standard Chartered Bank issued USD 2,000 million 5.3 per cent subordinated debt 2035 (callable 2030).

On 9 June 2020, Standard Chartered Bank issued EUR 1,000 million 2.5 per cent subordinated debt 2030 (callable 2025).

27. Share capital, other equity instruments and reserves

Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] millions	Ordinary share premium millions	Preference share premium[2] millions	Total share capital and share premium millions	Other equity instruments millions
At 1 January 2019	26,524	26,524	296	1,500	28,320	5,000
Cancellation of shares including share buy-back	(7,500)	(7,500)	–	–	(7,500)	–
At 31 December 2019	**19,024**	**19,024**	**296**	**1,500**	**20,820**	**5,000**
Shares issued	**300**	**300**	**–**	**–**	**300**	**–**
Additional Tier 1 redemption	**–**	**–**	**–**	**–**	**–**	**(2,000)**
At 31 December 2020	**19,324**	**19,324**	**296**	**1,500**	**21,120**	**3,000**

1 Issued and fully paid ordinary shares of $1 each

2 Includes preference share capital of $75,000

Ordinary share capital

The authorised share capital of the Company at 31 December 2020 was $26,789 million and TWD 1,225 million (31 December 2019: $26,789 million and TWD 1,225 million) made up of 26,782 million ordinary shares of $1 each, 2.4 million non-cumulative irredeemable preference shares of $0.01 each, 1 million non-cumulative preference shares of $5 each, 15,000 non-cumulative redeemable preference shares of $5 each, 462,500 non-cumulative redeemable 8.125% preference shares of $5 each and 50million non-cumulative redeemable preference shares of TWD24.50 each.

The issued share capital of the Company at 31 December 2020 was $19,324 million (31 December 2019: $19,024 million) made up of: 19,324 million ordinary shares of $1 each.

The issued ordinary share capital of the Company increased by 300 million shares during the year. The Company has one class of ordinary shares, which carries no rights to fixed income. Subject to any special rights or restrictions as to voting attached to any shares in accordance with the Company's Royal Charter Bye-Laws and Rules, on a show of hands every member present at a general meeting by a representative or proxy shall have one vote. On a poll, every member holding shares or stock of less than the nominal amount of US$25 shall not have any vote, but every other member who is present in person or by proxy shall have votes in accordance with the following scale:

27. Share capital, other equity instruments and reserves continued

Nominal amount of Shares or Stock held	Number of Votes
US$25 or more but less than US$50	1 vote
US$50 or more but less than US$100	2 votes
US$100 or more but less than US$250	3 votes
US$250 or more but less than US$375	4 votes
US$375 or more but less than US$500	5 votes
US$500 or more but less than US$750	6 votes
US$750 or more but less than US$1,000	7 votes
US$1,000 or more but less than US$1,250	8 votes
US$1,250 or more but less than US$1,500	9 votes
US$1,500 or more	10 votes

Preference share capital

7,500 non-cumulative redeemable preference shares issued on 8 December 2006 with a nominal value of $5 each and a premium of $99,995, making a paid-up amount per preference share of $100,000. The preference shares are redeemable at the option of the company in whole or in part on 31 Jan 2027 and on any quarterly dividend payment date falling on or around ten-year intervals thereafter. The amount payable on redemption will be the paid up amount of $100,000 per preference share to be redeemed, plus an amount equal to the accrued but unpaid dividend thereon up to but excluding the redemption date; and;7,500 non-cumulative redeemable preference shares issued on 25 May 2007 with a nominal value of $5 each and a premium of $99,995, making a paid up amount per preference share of $100,000. The preference shares are redeemable at the option of the company on 30 July 2037 and on any quarterly dividend payment date falling on or around ten-year intervals thereafter. The amount payable on redemption will be the paid-up amount of $100,000 per preference share to be redeemed, plus an amount equal to the accrued but unpaid dividend thereon up to but excluding the redemption date

Other equity instruments

On 17 December 2015 the Company issued $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as Additional Tier 1 (AT1) securities. This security was redeemed during the year.

On 19 December 2016 the Company issued a further $2,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities.

On 20 January 2017 the Company issued a further $1,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as AT1 securities.

All issuances were made for general business purposes and to increase the regulatory capital base of the Group.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of the Company in whole but not in part, on the first call date or on any fifth anniversary after the first call date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. Any redemption is subject to the Company giving notice to the relevant regulator and the regulator granting permission to redeem
- The interest rate for the period from (and including) the issue date to (but excluding) 2 April 2023 is a fixed rate of 7.75 per cent per annum. The reset date for the interest rate is 2 April 2023 and each date falling five, or an integral multiple of five years after the first reset date
- The interest rate on each of the securities will be payable semi-annually in arrears on 2 April and 2 October in each year, accounted for as a dividend
- Interest on the securities is due and payable only at the sole and absolute discretion of the Company, subject to certain additional restrictions set out in the terms and conditions. Accordingly, the Company may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date
- The securities will be written down in full should the fully loaded Common Equity Tier 1 ratio of the issuer fall below 7.0 per cent (a Loss Absorption Event)

27. Share capital, other equity instruments and reserves continued
The securities rank behind the claims against the Company of: (a) unsubordinated creditors; (b) claims which are expressed to be subordinated to the claims of unsubordinated creditors of the Company but not further or otherwise; or (c) claims which are, or are expressed to be, junior to the claims of other creditors of the Company, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the AT1 securities in a winding-up occurring prior to the Loss Absorption Event.

Reserves

The constituents of the reserves are summarised as follows:

- The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed
- Own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments, the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings
- Available-for-sale reserve represents the unrealised fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired
- Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur
- Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations
- Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions and own shares held (treasury shares)

A substantial part of the Group's reserves is held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 31 December 2020, the distributable reserves of Standard Chartered Bank (the Company) were $5.0 billion (2019: $5.7 billion).These comprised of retained earnings. Distribution of reserves is subject to maintaining minimum capital requirements.

28. Non-controlling interests

Accounting policy

Non-controlling interests are measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

	$million
At 1 January 2019	4,783
Loss attributable to non-controlling interests	(17)
Profits attributable to non-controlling interests	50
Comprehensive income for the year	33
Distributions	(56)
Issuance of Preference shares by Standard Chartered Bank (Singapore) Limited[1]	1,057
Disposal of non-controlling interest in Standard Chartered Bank (Hong Kong) Limited[2]	(4,521)
Other decreases[3]	(7)
At 31 December 2019	**1,289**
Loss attributable to non-controlling interests	**(3)**
Profits attributable to non-controlling interests	**47**
Comprehensive income for the year	**44**
Distributions	**(79)**
At 31 December 2020	**1,254**

1 Non-controlling interest held by Standard Chartered PLC

2 Disposal of non- controlling interest held by Standard Chartered Holdings Limited

3 Disposal of non-controlling interest in Ori Private Limited and Sirat Holdings

29. Retirement benefit obligations

Accounting policy

The Bank Group operates pension and other post-retirement benefit plans around the world, which can be categorised into defined contribution plans and defined benefit plans.

For defined contribution plans, the Bank Group pays contributions to publicly or privately administered pension plans on a statutory or contractual basis, and such amounts are charged to operating expenses. The Bank Group has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit method.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Bank Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense, the cost of the accrual of new benefits, benefit enhancements (or reductions) and administration expenses met directly from plan assets are recognised in the income statement in the period in which they were incurred.

29. Retirement benefit obligations continued

Significant accounting estimates and judgements

There are many factors that affect the measurement of the retirement benefit obligations. This measurement requires the use of estimates, such as discount rates, inflation, pension increases, salary increases, and life expectancies which are inherently uncertain. These estimates are further described as follows.

Discount rates are determined by reference to market yields at the end of the reporting period on high quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations. This is the approach adopted across our geographies. Where there are inflation-linked bonds available (e.g. United Kingdom and the eurozone), the Bank Group derives inflation based on the market on those bonds, with the market yield adjusted in respect of the United Kingdom to take account of the fact that liabilities are linked to Consumer Price Index inflation, whereas the reference bonds are linked to Retail Price Index inflation. Where no inflation-linked bonds exist, we determine inflation assumptions based on long-term forecasts and short term inflation data. Salary growth assumptions reflect the Bank Group's long-term expectations, taking into account future business plans and macroeconomic data (primarily expected future long-term inflation). Demographic assumptions, including mortality and turnover rates, are typically set based on the assumptions used in the most recent actuarial funding valuation, and will generally use industry standard tables, adjusted where appropriate to reflect recent historic experience and/or future expectations. The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

Group

Retirement benefit obligations comprise:

	2020 $million	2019 $million
Defined benefit plans obligation	411	417
Defined contribution plans obligation	8	10
Net obligation	419	427

Retirement benefit charge comprises:

	2020 $million	2019 $million
Defined benefit plans	46	38
Defined contribution plans	217	226
Charge against profit (Note 7)	263	264

The Bank Group operates over 50 defined benefit plans across its geographies, many of which are closed to new entrants who now join defined contribution arrangements. The aim of all these plans is, as part of the Group's commitment to financial wellbeing for employees, to give employees the opportunity to save appropriately for retirement in a way that is consistent with local regulations, taxation requirements and market conditions. The defined benefit plans expose the Group to currency risk, interest rate risk, investment risk and actuarial risks such as Longevity Risk.

The material holdings of government and corporate bonds shown on page 281 partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, the falls in discount rates in most geographies over 2020 have led to higher liabilities. These have been somewhat offset by increases in the value of bonds held and good stock market performance. These movements are shown as actuarial losses versus gains respectively in the tables below. Contributions into a number of plans in excess of the amounts required to fund benefits accruing have partially offset the increase in liabilities over the year.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2020.

29. Retirement benefit obligations continued

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Bank Group's largest pension plan, representing 71 per cent (31 December 2019: 72 per cent) of total pension liabilities. The UK Fund is set up under a trust that is legally separate from the Bank (its formal sponsor) and, as required by UK legislation, at least one third of the trustee directors are nominated by members; the remainder are appointed by the Bank. The trustee directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

The UK Fund was closed to new entrants from 1 July 1998 and closed to the accrual of new benefits from 1 April 2018. All employees are now offered membership of a defined contribution plan.

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The funding valuation as at 31 December 2017 was completed in December 2018 by the then Scheme Actuary, A Zegleman of Willis Towers Watson, using assumptions different from those on page 280, and agreed with the UK Fund trustee. It showed that the UK Fund was 89 per cent funded at that date revealing a past service deficit of $210 million (£159 million).

To repair the deficit, four annual cash payments of $42.2 million (£32.9 million) were agreed, with three of these having been paid in December 2018, December 2019 and December 2020. The agreement allows that if the funding position improves to being at or near a surplus in future years, the payments due in December 2021 will be reduced or eliminated. In addition, an escrow account of $150 million (£110 million) exists to provide security for future contributions. The 31 December 2020 funding valuation is currently underway and may conclude by altering, or adding to, the cash payment due in 2021. Its analysis of mortality experience has driven the small adjustment to life expectancy assumptions shown below.

The Bank Group is not required to recognise any additional liability under IFRIC 14 or the 2015 exposure draft of proposed amendments to it, as the Bank has control of any pension surplus under the Trust Deed and Rules.

Overseas plans

The principal overseas defined benefit arrangements operated by the Bank Group are in Germany, India, Jersey, United Arab Emirates (UAE) and the United States of America (US). Plans in Germany, India and UAE remain open for accrual of future benefits.

Key assumptions

The principal financial assumptions used at 31 December 2020 were:

	Funded plans			
	UK Fund		Overseas Plans[1]	
	2020 %	2019 %	2020 %	2019 %
Discount rate	**1.4**	2.0	**0.6-6.3**	1.1-7.0
Price Inflation	**2.2**	2.1	**1.4-4.0**	1.5-4.0
Salary increases	**n/a**	n/a	**2.9-7.0**	3.0-7.0
Pension increases	**2.1**	2.1	**0.0-2.7**	0.0-3.0

1 The range of assumptions shown is for the main defined benefit overseas plans in Germany, India, Jersey, UAE and the US. These comprise around 80 per cent of the total liabilities of overseas defined benefit plans

	Unfunded plans			
	US post-retirement medical		Other[1]	
	2020 %	2019 %	2020 %	2019 %
Discount rate	**2.8**	3.4	**1.4-6.3**	1.5-7.0
Price inflation	**2.5**	2.5	**2.0-4.0**	2.0-4.0
Salary increases	**n/a**	n/a	**3.5-7.0**	4.0-7.0
Pension increases	**n/a**	n/a	**0.0-2.1**	0.0-2.1
Post-retirement medical rate	**7% in 2020 reducing by 0.5% per annum to 5% in 2024**	8% in 2019 reducing by 1% per annum to 5% in 2022	**n/a**	n/a

1 The range of assumptions shown is for the main unfunded plans in Bahrain, India, Thailand, UAE and the UK. They comprise around 90 per cent of the total liabilities of unfunded plans

The principal non-financial assumptions are those made for UK life expectancy. The assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 27 years (31 December 2019: 28 years) and a female member for 30 years (31 December 2019: 29 years) and a male member currently aged 40 will live for 29 years (31 December 2019: 30 years) and a female member for 31 years (31 December 2019: 30 years) after their 60th birthdays.

29. Retirement benefit obligations continued

Both financial and non-financial assumptions can be expected to change in the future, which would affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

- If the discount rate increased by 25 basis points, the liability would reduce by approximately $75 million for the UK Fund (31 December 2019: $65 million) and $30 million for the other plans (31 December 2019: $30 million)
- If the rate of inflation increased by 25 basis points, the liability allowing for the consequent impact on pension and salary increases, would increase by approximately $50 million for the UK Fund (31 December 2019 $45million) and $15 million for the other plans (31 December 2019: $10 million)
- If the rate salaries increase compared with inflation increased by 25 basis points, the liability would increase by nil for the UK Fund (31 December 2019: $nil million) and approximately $10 million for the other plans (31 December 2019: $5 million)
- If longevity expectations increased by one year, the liability would increase by approximately $70 million for the UK Fund (31 December 2019: $60 million) and $20 million for the other plans (31 December 2019: $15 million)

Although this analysis does not take account of the full distribution of cash flows expected under the UK Fund, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

Profile of plan obligations

	Funded plans		Unfunded plans	
	UK Fund	Overseas	Post-retirement medical	Other
Duration of the defined benefit obligation (in years)	**15**	**14**	**10**	**11**
(Duration of the defined benefit obligation – 2019)	16	14	10	11
Benefits expected to be paid from plans				
Benefits expected to be paid during 2021	86	34	1	16
Benefits expected to be paid during 2022	88	31	1	14
Benefits expected to be paid during 2023	90	33	1	14
Benefits expected to be paid during 2024	92	33	1	14
Benefits expected to be paid during 2025	94	34	1	15
Benefits expected to be paid during 2026 to 2030	499	192	5	74

Fund values:

The fair value of assets and present value of liabilities of the plans attributable to defined benefit members were:

	2020				2019			
	Funded plans		Unfunded plans		Funded plans		Unfunded plans	
At 31 December	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million
Equities	**118**	**159**	**N/A**	**N/A**	102	147	N/A	N/A
Government bonds	**844**	**120**	**N/A**	**N/A**	956	115	N/A	N/A
Corporate bonds	**508**	**87**	**N/A**	**N/A**	189	62	N/A	N/A
Absolute Return Fund	**94**	**–**	**N/A**	**N/A**	158	-	N/A	N/A
Hedge funds[1]	**89**	**–**	**N/A**	**N/A**	100	-	N/A	N/A
Insurance linked funds[1]	**36**	**–**	**N/A**	**N/A**	37	-	N/A	N/A
Property	**74**	**9**	**N/A**	**N/A**	75	5	N/A	N/A
Derivatives	**20**	**4**	**N/A**	**N/A**	13	3	N/A	N/A
Cash and equivalents	**141**	**77**	**N/A**	**N/A**	77	56	N/A	N/A
Others[1]	**10**	**9**	**N/A**	**N/A**	8	21	N/A	N/A
Total fair value of assets[2]	**1,934**	**465**	**N/A**	**N/A**	1,715	409	N/A	N/A
Present value of liabilities	**(1,982)**	**(573)**	**(16)**	**(239)**	(1,832)	(488)	(16)	(205)
Net pension plan obligation	**(48)**	**(108)**	**(16)**	**(239)**	(117)	(79)	(16)	(205)

1 Unquoted assets

2 Self-investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2020 (31 December 2019: <$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Bank Group is a constituent of the relevant index

29. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2020	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost[1]	–	15	–	6	21
Past service cost and curtailments[2]	–	–	–	14	14
Interest income on pension plan assets	(32)	(18)	–	–	(50)
Interest on pension plan liabilities	35	20	1	5	61
Total charge to profit before deduction of tax	3	17	1	25	46
Net gain on plan assets[3]	(160)	(42)	–	–	(202)
Losses on liabilities	131	68	(1)	21	219
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(29)	26	(1)	21	17
Deferred taxation	–	(10)	–	–	(10)
Total (gains)/losses after tax	(29)	16	(1)	21	7

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $2 million)

2 Past service costs arose primarily due to recognition of a legacy UK long term sick plan which has been clarified as technically representing a defined benefit

3 The actual return on the UK Fund assets was a gain of $192 million and on overseas plan assets was a gain of $60 million

The pension cost for defined benefit plans was:

2019	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost[1]	–	14	–	12	26
Past service cost and curtailments[2]	–	2	–	(1)	1
Interest income on pension plan assets	(43)	(16)	–	–	(59)
Interest on pension plan liabilities	44	19	1	6	70
Total charge to profit before deduction of tax	1	19	1	17	38
Net gain on plan assets[3]	(86)	(53)	–	–	(139)
Losses/(Gains) on liabilities	196	58	(2)	25	277
Total losses/(gains)recognised directly in statement of comprehensive income before tax	110	5	(2)	25	138
Deferred taxation	5	(6)	–	–	(1)
Total losses/(gains) after tax	115	(1)	(2)	25	137

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2018: $1 million)

2 Past service costs arose primarily due to plan changes in Thailand and US, and were largely offset by past service credits due to plan changes in UAE

3 The actual return on the UK Fund assets was a gain of $129 million and on overseas plan assets was a loss of $69 million

29. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Deficit at 1 January 2020	(117)	(79)	(16)	(205)	(417)
Contributions	44	27	–	16	87
Current service cost	–	(15)	–	(6)	(21)
Past service cost and curtailments	–	–	–	(14)	(14)
Settlement costs and transfers impact	–	(5)	–	–	(5)
Net interest on the net defined benefit asset/liability	(3)	(2)	(1)	(5)	(11)
Actuarial gains/(losses)	29	(26)	1	(21)	(17)
Exchange rate adjustment	(1)	(8)	–	(4)	(13)
Deficit at 31 December 2020[1]	(48)	(108)	(16)	(239)	(411)

1 The deficit total of $411 million is made up of plans in deficit of $425 million (31 December 2019: $429 million) net of plans in surplus with assets totalling $14 million (31 December 2019: $12 million)

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
As at 31 December 2018	(50)	(129)	(17)	(190)	(386)
Discontinued operations		48		8	56
Deficit at 1 January 2019	(50)	(81)	(17)	(182)	(330)
Contributions	44	36	–	20	100
Current service cost	–	(14)	–	(12)	(26)
Past service cost and curtailments	–	(2)	–	1	(1)
Settlement costs and transfers impact	–	–	–	–	–
Net interest on the net defined benefit asset/liability	(1)	(3)	(1)	(6)	(11)
Actuarial (losses)/gains	(110)	(5)	2	(25)	(138)
Exchange rate adjustment	–	(10)	–	(1)	(11)
Deficit at 31 December 2019[1]	(117)	(79)	(16)	(205)	(417)

1 The deficit total of $417 million is made up of plans in deficit of $429 million (31 December 2018: $421 million) net of plans in surplus with assets totalling $12 million (31 December 2018: $35 million)

29. Retirement benefit obligations continued

The Bank Group's expected contribution to its defined benefit pension plans in 2020 is $88 million.

	2020			2019		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
As at 31 December 2018				2,410	(2,796)	(386)
Discontinued operations				(451)	507	56
At 1 January	2,121	(2,538)	(417)	1,959	(2,289)	(330)
Contributions[1]	87	–	87	100	–	100
Current service cost[2]	–	(21)	(21)	–	(26)	(26)
Past service cost and curtailments	–	(14)	(14)	–	(1)	(1)
Settlement costs & transfers[3]	18	(23)	(5)	–	–	–
Interest cost on pension plan liabilities	–	(61)	(61)	–	(70)	(70)
Interest income on pension plan assets	50	–	50	59	–	59
Benefits paid out[2]	(128)	128	–	(138)	138	–
Actuarial gains/(losses)[4]	202	(219)	(17)	139	(277)	(138)
Exchange rate adjustment	49	(62)	(13)	2	(13)	(11)
At 31 December	2,399	(2,810)	(411)	2,121	(2,538)	(417)

1 Includes employee contribution of nil (31 December 2019: nil)

2 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $1 million)

3 Settlement costs and transfers includes the inclusion of a gratuity plan in India which has been included within IAS 19 Disclosures for the first time this year. Previously, a separate provision for these liabilities was included elsewhere on the balance sheet

4 Actuarial loss on obligation comprises of $235 million loss (31 December 2019: $256 million loss) from financial assumption changes, $21 million gain (31 December 2019: $3 million gain) from demographic assumption changes and $5 million loss (31 December 2019: $24 million loss) from experience

Company

Retirement benefit obligations comprise:

	2020 $million	2019 $million
Defined benefit plans obligation	367	385
Defined contribution plans assets	–	(2)
Net obligation	367	383

Retirement benefit charge comprises:

	2020 $million	2019 $million
Defined benefit plans	37	32
Defined contribution plans	104	124
Charge against profit	141	156

UK Fund

See the Bank Group section on the UK Fund in this note (page 280). There are no differences between Bank Group and Company in respect of the Fund

Overseas Plans

The principal overseas defined benefit arrangements operated by the Company are in Germany, Jersey, India, United Arab Emirates (UAE) and the United States of Americas (US).

29. Retirement benefit obligations continued

All Plans

The disclosures required under IAS 19 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2020.

The financial assumptions used at 31 December 2020 as shown below. Sensitivities are recorded on page 280 of the Bank Group accounts and those for non-UK Fund plans are applicable in proportion to the lower liabilities of the Company.

	Funded plans			
	UK Fund		Overseas Plans[1]	
	2020 %	2019 %	**2020 %**	2019 %
Discount rate	**1.4**	2.0	**0.6-6.3**	1.1-7.0
Price inflation	**2.2**	2.1	**1.4-4.0**	1.5-4.0
Salary increases	**n/a**	n/a	**2.9-7.0**	3.0-7.0
Pension increases	**2.1**	2.1	**0.0-2.7**	0.0-3.0

1 The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, India, Jersey and the US. These comprise around 80 per cent of the total liabilities of funded overseas plans

	Unfunded plans			
	US Post-retirement medical[1]		Other[1]	
	2020 %	2019 %	**2020 %**	2019 %
Discount rate	**2.8**	3.4	**1.4-6.3**	2.0-7.0
Price inflation	**2.5**	2.5	**2.0-4.0**	2.1-4.0
Salary increases	**n/a**	n/a	**3.5-7.0**	4.0-7.0
Pension increases	**n/a**	n/a	**0.0-2.1**	0.0-2.1
Post-retirement medical rate	**7% in 2020 reducing by 0.5% per annum to 5% in 2024**	8% in 2019 reducing by 1% per annum to 5% in 2022	**n/a**	n/a

1 The range of assumptions shown is for the main unfunded plans in India, UAE and the UK. These comprise over 95 per cent of the total liabilities of unfunded plans

Fund values:

The fair value of assets and present value of liabilities of the plans attributable to defined benefit members were:

	2020				2019			
	Funded plans		**Unfunded plans**		Funded plans		Unfunded plans	
At 31 December	**UK Fund $million**	**Overseas plans $million**	**Post-retirement medical $million**	**Other $million**	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million
Equities	**118**	**154**	**N/A**	**N/A**	102	141	N/A	N/A
Government bonds	**844**	**114**	**N/A**	**N/A**	956	106	N/A	N/A
Corporate bonds	**508**	**86**	**N/A**	**N/A**	189	61	N/A	N/A
Absolute return Fund	**94**	**-**	**N/A**	**N/A**	158	-	N/A	N/A
Hedge funds[1]	**89**	**-**	**N/A**	**N/A**	100	-	N/A	N/A
Insurance linked funds[1]	**36**	**-**	**N/A**	**N/A**	37	-	N/A	N/A
Property	**74**	**-**	**N/A**	**N/A**	75	-	N/A	N/A
Derivatives	**20**	**4**	**N/A**	**N/A**	13	3	N/A	N/A
Cash and equivalents	**141**	**45**	**N/A**	**N/A**	77	51	N/A	N/A
Others[1]	**10**	**9**	**N/A**	**N/A**	8	20	N/A	N/A
Total fair value of assets[2]	**1,934**	**412**	**N/A**	**N/A**	1,715	382	N/A	N/A
Present value of liabilities	**(1,982)**	**(491)**	**(16)**	**(224)**	(1,832)	(443)	(16)	(191)
Net pension plan obligation	**(48)**	**(79)**	**(16)**	**(224)**	(117)	(61)	(16)	(191)

1 Unquoted assets

2 Self investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2020 (31 December 2019: <$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Bank is a constituent of the relevant index

29. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2020	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost[1]	–	9	–	4	13
Past service cost and curtailments[2]	–	–	–	14	14
Interest income on pension plan assets	(32)	(15)	–	–	(47)
Interest on pension plan liabilities	35	16	1	5	57
Total charge to profit before deduction of tax	3	10	1	23	37
Net gain on plan assets[3]	(160)	(22)	–	–	(182)
Losses on liabilities	131	45	(1)	21	196
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(29)	23	(1)	21	14
Deferred taxation	–	(10)	–	–	(10)
Total (gains)/losses after tax	(29)	13	(1)	21	4

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $2 million)

2 Past service costs arose primarily due to recognition of a legacy UK long term sick plan which has been clarified as technically representing a defined benefit

3 The actual return on the UK Fund assets was a gain of $192 million and on overseas plan assets was a gain of $37 million

2019	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Current service cost[1]	–	12	–	9	21
Past service cost and curtailments[2]	–	2	–	(2)	–
Interest income on pension plan assets	(43)	(14)	–	–	(57)
Interest on pension plan liabilities	44	17	1	6	68
Total charge to profit before deduction of tax	1	17	1	13	32
Losses on plan assets excluding interest income[3]	(86)	(35)	–	–	(121)
Losses/ (Gains) on liabilities	196	41	(2)	21	256
Total losses/ (gains) recognised directly in statement of comprehensive income before tax	110	6	(2)	21	135
Deferred taxation	5	–	–	–	5
Total losses/(gains) after tax	115	6	(2)	21	140

1 Includes administrative expenses paid out of plan assets of $2 million (31 December 2018: $1 million)

2 Past service costs arose primarily due to plan changes in Thailand and US, and were largely offset by past service credits due to plan changes in UAE

3 The actual return on the UK Fund assets was a gain of $126 million and on overseas plan assets was a loss of $49 million

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Total $million
Deficit at 1 January 2020	(117)	(61)	(16)	(191)	(385)
Contributions	44	17	–	14	75
Current service cost	–	(9)	–	(4)	(13)
Past service cost and curtailments[1]	–	–	–	(14)	(14)
Net interest on the net defined benefit asset/liability	(3)	(1)	(1)	(5)	(10)
Actuarial gains/(losses)	29	(23)	1	(21)	(14)
Exchange rate adjustment	(1)	(2)	–	(3)	(6)
Deficit at 31 December 2020[2]	(48)	(79)	(16)	(224)	(367)

1 Past service costs arose primarily due to recognition of a legacy UK long term sick plan which has been clarified as technically representing a defined benefit

2 The deficit total of $367 million is made up of plans in deficit of $378 million (2019: $395 million) net of plans in surplus with assets totalling $11 million (2019: $10 million)

29. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Deficit at 1 January 2019	(50)	(86)	(17)	(170)	(323)
Contributions	44	33	–	16	93
Current service cost	–	(12)	–	(9)	(21)
Past service cost and curtailments	–	(2)	–	2	–
Net interest on the net defined benefit asset/liability	(1)	(3)	(1)	(6)	(11)
Actuarial (losses)/gains	(110)	(6)	2	(21)	(135)
Exchange rate adjustment	–	(2)	–	(3)	(5)
Other[1]	–	17	–	–	17
Deficit at 31 December 2019[2]	(117)	(61)	(16)	(191)	(385)

1 Due to an internal restructuring in 2019, liabilities of $18 million relating to current employees in the defined benefit pension plan in Germany were moved out of the Company. In addition, assets of $3 million and liabilities of $4 million in respect of the pension plan in Switzerland were moved into the Company during 2019

2 The deficit total of $385 million is made up of plans in deficit of $395 million (2018: $331 million) net of plans in surplus with assets totalling $10 million (2018: $8 million)

The Company's expected contribution to its defined benefit pension plans in 2020 is $73 million

	2020			2019		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
At 1 January	2,097	(2,482)	(385)	1,887	(2,210)	(323)
Contributions[1]	75	–	75	93	–	93
Current service cost[2]	–	(13)	(13)	–	(21)	(21)
Past service cost and curtailments	–	(14)	(14)	–	–	–
Interest cost on pension plan liabilities	–	(57)	(57)	–	(68)	(68)
Interest income on pension plan assets	47	–	47	57	–	57
Benefits paid out[2]	(123)	123	–	(122)	122	–
Actuarial gains/(losses)[3]	182	(196)	(14)	121	(256)	(135)
Other[4]	–	–	–	3	14	17
Exchange rate adjustment	68	(74)	(6)	58	(63)	(5)
At 31 December	2,346	(2,713)	(367)	2,097	(2,482)	(385)

1 Includes employee contribution of nil (31 December 2019: nil)

2 Includes administrative expenses paid out of plan assets of $2 million (31 December 2019: $1 million)

3 Actuarial loss on obligation comprises of $232 million loss (31 December 2019: $253 million gain) from financial assumption changes, $21 million gain (31 December 2019: $3 million) from demographic assumption changes and $15 million gain (31 December 2019: $6 million loss) from experience

4 Due to an internal restructuring in Q1 2019, liabilities of $18 million relating to current employees in the defined benefit pension plan in Germany were moved out of the Company. In addition, assets of $3 million and liabilities of $4 million in respect of the pension plan in Switzerland were moved into the Company during 2019

30. Share-based payments

Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2021 in respect of 2020 performance, which vest in 2022-2024, is recognised as an expense over the period from 1 January 2020 to the vesting dates in 2022-2024. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and awards at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions for the number of shares and awards that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of shares and awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy service conditions and non-market vesting conditions are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when awards in the form of options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy service conditions or market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2020 $million	restated[1] 2019 $million
Deferred share awards	**67**	82
Other share awards	**65**	51
Discontinued operations	**–**	5
Total share-based payments[2,3]	**132**	138

1 2019 figures are restated from $143million to $138million to reflect the measurement of cash-settled awards as equity-settled awards where the ultimate parent company grants cash-settled awards linked to its share price

2 No forfeiture assumed

3 Includes $13million (2019: $(5)million) of share-based payments reported in 'other staff costs'. This reflects Bank Group's requirement under IFRS 2 to account for cash-settled awards made to employees of Bank Group settled by Standard Chartered PLC with payments linked to PLC's share price as equity-settled awards

2011 Standard Chartered Share Plan (the '2011 Plan')

The 2011 Plan was approved by shareholders in May 2011 and is the Group's main share plan. Since approval, it has been used to deliver various types of share awards:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) and return on tangible equity (RoTE) (in the case of both RoE and RoTE, with a Common Equity Tier 1 (CET1) underpin); strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice

30. Share-based payments continued

- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures

Under the 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2011 Plan during which new awards can be made is one year.

Valuation – LTIP awards

The vesting of awards granted in both 2020 and 2019 is subject to relative TSR performance measures and achievement of a strategic scorecard. The vesting of awards granted in 2020 and 2019 are subject to the satisfaction of RoTE (subject to a capital CET1 underpin). The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoTE and strategic measures in the scorecard, to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2020 or 2019 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2020	2019
Grant date	**09 March**	11 March
Share price at grant date (£)	**5.20**	6.11
Vesting period (years)	**3-7**	3-7
Expected divided yield (%)	**4.2**	4.2
Fair value (RoTE) (£)	**1.40, 1.34**	2.02, 2.02
Fair value (TSR) (£)	**0.75, 0.72**	0.97, 0.91
Fair value (Strategic) (£)	**1.40, 1.34**	2.02, 2.02

Deferred shares and restricted shares

The fair value for deferred awards which are not granted to material risk takers is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. For awards granted to material risk takers in 2020, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Deferred share awards

	2020					
Grant date	**22 June**		**30 March**		**9 March**	
Share price at grant date (£)		**4.27**		**4.67**		**5.20**
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1-3 years	**NA**	**4.27**	**NA,4.2**	**4.67,4.13**	**NA,4.2,4.2**	**5.20,4.79,4.59**
1-5 years	**–**	**–**	**4.2**	**4.04**	**4.2,4.2**	**4.59,4.50**
3-7 years	**–**	**–**	**–**	**–**	**4.2,4.2**	**4.23,4.06**

	2019			
Grant date	24 June		11 March	
Share price at grant date (£)		7.03		6.11
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A,4.2,4.2	7.03,6.47,6.21	N/A,4.2,4.2	6.11,5.62,5.40
1-5 years			4.2,4.2	5.29,5.40
3-7 years			4.2,4.2	4.77,4.97

30. Share-based payments continued

Other restricted share awards

	2020							
Grant date	**26 November**		**30 September**		**22 June**		**9 March**	
Share price at grant date (£)		4.71		3.52		4.27		5.20
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1 year	4.2	4.34,4.52	4.2	3.38	4.2	4.10	4.2	4.99
2 years	4.2	4.16,4.34	4.2	3.24	4.2	3.93	4.2	4.79
3 years	4.2	4.16	4.2	3.11	4.2	3.77	4.2	4.59
4 years	4.2	4.00	4.2	2.98	4.2	3.62	4.2	4.41
5 years	–	–	–	–	4.2	3.48	4.2	4.23

	2019							
Grant date	28 November		1 October		24 June		11 March	
Share price at grant date (£)		7.04		6.84		7.03		6.11
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	4.2	6.75	4.2	6.57	4.2	6.74	4.2	5.86,5.62,5.74
2 years	4.2	6.48	4.2	6.30	4.2	6.47	4.2	5.62,5.40
3 years	4.2	6.22	4.2	6.05	4.2	6.21	4.2	5.40
4 years	–	–	4.2	5.80	4.2	5.96	4.2	5.18
5 years	–	–	4.2	5.57	4.2	5.72	–	–

All Employee Sharesave Plans

2013 Sharesave Plan

Under the 2013 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may save up to £250 per month over three years to purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the 2013 Sharesave Plan and no grant price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based plan to its employees.

The 2013 Sharesave Plan was approved by shareholders in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is two years.

Valuation – Sharesave:

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

	2020	2019
Grant date	**30-Sep**	1-Oct
Share price at grant date (£)	**3.52**	6.84
Exercise price (£)	**3.14**	4.98
Vesting period (years)	**3**	3
Expected volatility (%)	**31.8**	25.3
Expected option life (years)	**3.33**	3.33
Risk-free rate (%)	**(0.07)**	0.26
Expected dividend yield (%)	**4.2**	4.2
Fair value (£)	**0.69**	1.62

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is calculated by reference to market consensus dividend yield.

30. Share-based payments continued

Limits

An award shall not be granted under the 2011 Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2011 Plan and under any other discretionary share plan operated by Standard Chartered PLC to exceed such number as represents 5 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2011 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2011 Plan or 2013 Sharesave Plan and under any other employee share plan operated by Standard Chartered PLC to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2011 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares which may be issued or transferred pursuant to awards then outstanding under the 2011 Plan or 2013 Sharesave Plan as relevant to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2011 Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time. The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2013 Sharesave Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

Reconciliation of share award movements for the year to 31 December 2020

	2011 Plan[1]				
	LTIP	Deferred/ Restricted shares	PSP[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2020	20,550,048	25,529,031	–	10,198,118	5.35
Granted[2,3]	2,933,189	20,324,709	–	3,702,169	–
Lapsed	(824,269)	(558,540)	–	(2,865,637)	5.44
Exercised	(256,388)	(10,622,375)	–	(156,560)	5.30
Outstanding as at 31 December 2020	22,402,580	34,672,825	–	10,878,090	4.57
Exercisable as at 31 December	26,059	2,193,792	–	1,545,932	6.17
Range of exercise prices (£)[3]	–	–	–	3.14-6.20	
Intrinsic value of vested but not exercised options ($ million)	0.17	13.95	–	0.01	
Weighted average contractual remaining life (years)	6.26	8.32	–	2.16	
Weighted average share price for awards exercised during the year (£)	4.28	4.54	–	6.76	

1 Employees do not contribute towards the cost of these awards

2 19,081,199 (DRSA/RSA) granted on 09 March 2020, 171,578 (DRSA/RSA) granted as notional dividend on 06 March 2020, 2,872,132 (LTIP) granted on 09 March 2020, 56,805 (LTIP) granted as Notional dividend on 06 March 2020, 172,893 (DRSA/RSA) granted on 22 June 2020, 4,252 (LTIP) granted as Notional dividend on 25 August 2020, 460,311 (DRSA/RSA) granted on 30 September 2020, 3,702,169 (Sharesave) granted on 30 September 2020, 438,728 (DRSA/RSA) granted on 26 November 2020

3 For Sharesave granted in 2020 the exercise price is £3.14 per share, which was a 20% discount to the closing share price on 28 August 2020. The closing share price on 28 August 2020 was £3.924

30. Share-based payments continued

Reconciliation of share award movements for the year to 31 December 2019

	2011 Plan[1]				
	LTIP	Deferred/ Restricted shares	PSP[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding as at 1 January 2019	26,636,997	26,166,597	4,270	13,712,863	5.48
Granted[2]	2,653,288	12,726,643	–	2,617,213	–
Lapsed	(2,797,229)	(1,390,240)	–	(1,815,091)	5.50
Exercised	(5,943,008)	(11,973,969)	(4,270)	(4,316,867)	5.49
Outstanding as at 31 December 2019	20,550,048	25,529,031	–	10,198,118	5.35
Exercisable as at 31 December 2019	52,235	2,347,451	–	1,227,719	5.30
Range of exercise prices (£)[3]	–	–	–	4.98-6.20	
Intrinsic value of vested but not exercised options ($ million)	0.50	22.30	–	3.05	
Weighted average contractual remaining life (years)	6.85	8.19	–	2.21	
Weighted average share price for awards exercised during the year (£)	6.37	6.34	6.95	6.72	

1 Employees do not contribute towards the cost of these awards

2 12,027,124 (DRSA/RSA) granted on 11 March 2019, 183,997 (DRSA/RSA) granted as notional dividend on 08 March 2019, 2,409,838 (LTIP) granted on 11 March 2019, 229,491 (LTIP) granted as Notional dividend on 08 March 2019, 266,192 (DRSA/RSA) granted on 24 June 2019, 68,048 (DRSA/RSA) granted as notional dividend on 09 August 2019, 13,959 (MLTIP/LTIP) granted as notional dividend on 09 August 2019, 122,464 (DRSA/RSA) granted on 01 October 2019, 2,617,213 (Sharesave) granted on 01 October 2019, 58,818 (DRSA/RSA) granted on 28 November 2019

3 For Sharesave granted in 2019, the exercise price is £4.98 per share, which was a 20 per cent discount to the closing share price on 30 August 2019. The closing share price on 30 August 2019 was £6.22.

31. Investments in subsidiary undertakings, joint ventures and associates

Accounting policy

Subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, and has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement.

Associates and joint arrangements

Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. The Group did not have any contractual interest in joint operations.

An associate is an entity over which the Group has significant influence.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

31. Investments in subsidiary undertakings, joint ventures and associates continued

Significant accounting estimates and judgements

The Group applies judgement in determining if it has control, joint control or significant influence over subsidiaries, joint ventures and associates respectively. These judgements are based upon identifying the relevant activities of counterparties, being those activities that significantly affect the entities returns, and further making a decision of if the Group has control over those entities, joint control, or has significant influence (being the power to participate in the financial and operating policy decisions but not control them).

These judgements are at times determined by equity holdings, and the voting rights associated with those holdings. However, further considerations including but not limited to board seats, advisory committee members and specialist knowledge of some decision-makers are also taken into account. Further judgement is required when determining if the Group has de-facto control over an entity even though it may hold less than 50% of the voting shares of that entity. Judgement is required to determine the relative size of the Group's shareholding when compared to the size and dispersion of other shareholders.

Impairment testing of investments in associates and joint ventures is performed if there is a possible indicator of impairment. Judgement is used to determine if there is objective evidence of impairment. Objective evidence may be observable data such as losses incurred on the investment when applying the equity method, the granting of concessions as a result of financial difficulty, or breaches of contracts/regulatory fines of the associate or joint venture. Further judgement is required when considering broader indicators of impairment such as losses of active markets or ratings downgrades across key markets in which the associate or joint venture operate in.

Impairment testing is based on estimates including forecasting the expected cash flows from the investments, growth rates, terminal values and the discount rate used in calculation of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see Note 16 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014) and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity. Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Investments in subsidiary undertakings	**2020 $million**	restated 2019[1] $million
As at 1 January	**9,227**	13,986
Additions	**141**	5,912[2]
Disposal	**(716)**	(10,412)[3]
Impairment	**(394)**	(259)
As at 31 December	**8,258**	9,227

1 Impairment and brought forward value is restated for prior years to reverse impairment in subsidiary undertakings. The impact of this reversal is an increase in the brought forward investment in subsidiary undertakings as at 31 December 2019 of $612 million, a decrease in impairment for 2019 of $224 million and an increase the brought forward investment in subsidiary undertakings as at 31 December 2018 of $388 million

2 Additions includes $2,698 million investment in Standard Chartered Bank (Hong Kong) Limited, $2,590 million investment in Standard Chartered Bank (Singapore) Limited and $283 million investment in Standard Chartered Bank AG

3 Disposals includes $4,226 million investment in Standard Chartered Bank (Hong Kong) Limited, $1,688 million investment in Standard Chartered Bank (China) Limited, $2,685 million investment in Standard Chartered NEA Limited and $1,803 million investment in Standard Chartered Bank (Taiwan) Limited

31. Investments in subsidiary undertakings, joint ventures and associates continued

At 31 December 2020, the principal subsidiary undertakings, all indirectly held and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.87
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.32

A complete list of subsidiary undertaking is included in Note 39.

The Group does not have any material non-controlling interests in any of its subsidiaries except the 25.68 per cent non-controlling interest in Standard Chartered Bank Kenya Limited. This contributes $13 million (31 December 2019: $20 million) of the profit attributable to non-controlling interests and $111 million (31 December 2019: $111 million) of the equity attributable to non-controlling interests.

While the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised below:

Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company.

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2020, the total cash and balances with central banks was $58 billion (31 December 2019: $44 billion) of which $3 billion (31 December 2019: $5 billion) is restricted.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends.

Contractual requirements

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group.

Share of profit from investment in associates and joint ventures comprises:

	2020 $million	2019 $million
(Loss)/profit from investment in joint ventures	**(3)**	48
Profit from investment in associates	**4**	7
Total	**1**	55

31. Investments in subsidiary undertakings, joint ventures and associates continued

Interests in associates and joint ventures

	2020 $million	2019 $million
As at 1 January	44	2,307
Discontinued operation	–	(1,551)
Continuing operations	44	756
Exchange translation differences	(7)	32
Additions	41	1
Share of profits	1	55
Dividends received	–	(3)
Share of fair value through other comprehensive income	–	3
Transfer to held for sale assets[1]	–	(800)
As at 31 December	79	44

1 Refer to Note 20 Assets held for sale and associated liabilities where our joint venture PT Bank Permata Tbk (Permata) is disclosed

Company

	2020 $million	2019 $million
As at 1 January	–	10
Share of loss	–	(10)
Transfer to held for sale assets	–	–
As at 31 December	–	–

A complete list of the Group's interest in associates and joint ventures is included in Note 39.

32. Structured entities

Accounting policy

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the structured entity. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their activities. Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure.

In determining whether to consolidate a structured entity to which assets have been transferred, the Group takes into account its ability to direct the relevant activities of the structured entity. These relevant activities are generally evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinate securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entity, special relationships between the structured entity and investors, and if a single investor has a large exposure to variable returns of the structured entity.

Judgement is required in determining control over structured entities. The purpose and design of the entity is considered, along with a determination of what the relevant activities are of the entity and who directs these. Further judgements are made around which investor is exposed to, and absorbs the variable returns of the structured entity. The Group will have to weigh up all of these facts to consider whether the Group, or another involved party is acting as a principal in its own right or as an agent on behalf of others. Judgement is further required in the ongoing assessment of control over structured entities, specifically if market conditions have an effect on the variable return exposure of different investors.

The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group as a sponsor or by a third-party.

Interests in consolidated structured entities: A structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination in the accounting policy above.

The following table presents the Group's interests in consolidated structured entities.

	2020 $million	2019 $million
Principal and other structured finance	225	571
Total	225	571

32. Structured entities continued

Interests in unconsolidated structured entities: Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

The table below presents the carrying amount of the assets recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2020				2019			
	Asset-backed securities $million	**Principal Finance funds $million**	**Other activities $million**	**Total $million**	Asset-backed securities $million	Principal Finance funds $million	Other activities $million	Total $million
Group's interest – assets								
Financial assets held at fair value through profit or loss	**495**	**91**	**–**	**586**	395	11	99	505
Loans and advances/ Investment securities at amortised cost	**5,224**	**267**	**–**	**5,491**	3,286	343	251	3,880
Investment securities (fair value through other comprehensive income)	**1,985**	**–**	**–**	**1,985**	3,050	–	–	3,050
Other assets	**–**	**–**	**–**	**–**	–	241	–	241
Total assets	**7,704**	**358**	**–**	**8,062**	6,731	595	350	7,676
Off-balance sheet	**–**	**64**	**–**	**64**	–	32	–	32
Group's maximum exposure to loss	**7,704**	**422**	**–**	**8,126**	6,731	627	350	7,708
Total assets of structured entities	**134,363**	**2,274**	**2**	**136,639**	123,321	1,961	7,896	133,17

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for managed investment funds (including specialised Principal Finance funds), portfolio management purposes, structured finance and asset-backed securities. These are detailed as follows:

- **Asset-backed securities (ABS):** The Group also has investments in asset-backed securities issued by third-party sponsored and managed structured entities. For the purpose of market making and at the discretion of ABS trading desk, the Group may hold an immaterial amount of debt securities from structured entities originated by credit portfolio management. This is disclosed in the ABS column above.
- **Portfolio management (Group sponsored entities):** For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. This credit protection creates credit risk which the structured entity and subsequently the end investor absorbs. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not derecognised from the Group's balance sheet. The Group does not hold any equity interests in the structured entities, but may hold an insignificant amount of the issued notes for market making purposes. This is disclosed in the ABS section above. The proceeds of the notes' issuance are typically held as cash collateral in the issuer's account operated by a trustee or invested in AAA-rated government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.
- **Principal Finance Fund:** The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity.
- **Other activities:** Other activities include structured entities created to support margin financing transactions, the refinancing of existing credit and debt facilities, as well as setting up of bankruptcy remote structured entities.

33. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2020 $million	2019 $million	2020 $million	2019 $million
Amortisation of discounts and premiums of investment securities	(568)	(575)	(306)	(317)
Interest expense on subordinated liabilities	540	410	525	553
Interest expense on senior debt securities in issue	54	34	38	56
Other non-cash items	229	465	184	790
Pension costs for defined benefit schemes	46	38	37	32
Share-based payment costs	119	137	73	106
Impairment losses on loans and advances and other credit risk provisions	1,976	699	889	457
Dividend income from subsidiaries	–	–	(403)	–
Other impairment	262	34	670	494[1]
Net gain on derecognition of investment in associate	(6)	–	(245)	–
Profit/(loss) from associates and joint ventures	(1)	(55)	–	10
Total	**2,651**	1,187	**1,462**	2,181

Change in operating assets

	Group		Company	
	2020 $million	2019 $million	2020 $million	2019 $million
(Increase)/decrease in derivative financial instruments	(16,281)	(608)	(15,481)	32
(Increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	(1,920)	1,390	(1,472)	(240)
Decrease/(increase) in loans and advances to banks and customers	2,872	(8,851)	6,499	(8,596)
Net decrease/(increase) in prepayments and accrued income	468	(147)	427	(61)
Net (Increase)/decrease in other assets	(502)	(42,397)	6,405	36,006
Total	**(15,363)**	(50,613)	**(3,622)**	27,141

Change in operating liabilities

	Group		Company	
	2020 $million	2019 $million	2020 $million	2019 $million
Increase in derivative financial instruments	16,052	966	15,093	148
Net increase/(decrease) in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	4,712	17,831	(4,272)	13,906
Decrease in accruals and deferred income	(609)	(19)	(336)	(228)
(Decrease)/increase in amount due to parents/subsidiaries/other related	(3,385)	31,574	(727)	2,716
Net increase/(decrease) in other liabilities	4,842	11,072	3,532	(49,999)
Total	**21,612**	61,424	**13,290**	(33,457)

33. Cash flow statement continued

Changes in liabilities arising from financing activities

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
Subordinated debt (including accrued interest):				
Opening balance	**13,043**	13,258	**12,502**	12,479
Proceeds from the issue	**4,630**	2,054	**4,630**	1,000
Interest paid	**(503)**	(1,665)	**(480)**	(1,629)
Repayment	**(2,869)**	(1,023)	**(2,869)**	(1,000)
Foreign exchange movements	**2**	4	**2**	13
Fair value changes	**86**	36	**86**	9
Other	**496**	379	**474**	1,630
Closing balance	**14,885**	13,043	**14,345**	12,502

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
Senior debt (including accrued interest):				
Opening balance	**1,164**	4,573	**742**	2,095
Proceeds from the issue	**1,984**	598	**650**	431
Interest paid	**(15)**	(45)	**(14)**	(45)
Repayment	**(1,310)**	(1,821)	**(577)**	(1,736)
Foreign exchange movements	**(6)**	–	**–**	–
Fair value changes	**–**	–	**–**	–
Other	**(111)**	(2,141)	**(115)**	(3)
Closing balance	**1,706**	1,164	**686**	742

1 The 2019 company other impairment for the year includes a restatement of impairment in subsidiary undertakings, see Note 1 on page 171

34. Cash and cash equivalents

Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

	Group		Company	
	2020 $million	2019 $million	**2020 $million**	2019 $million
Cash and balances at central banks	**58,117**	43,926	**46,476**	34,734
Less: restricted balances	**(2,683)**	(4,946)	**(932)**	(2,872)
Treasury bills and other eligible bills	**2,664**	3,676	**723**	614
Loans and advances to banks	**16,844**	15,598	**9,865**	7,994
Trading securities	**968**	1,901	**19**	1,403
Total	**75,910**	60,155	**56,151**	41,873

35. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Note 38 Remuneration of Directors.

IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered PLC.

	2020 $million	2019 $million
Salaries, allowances and benefits in kind	**35**	37
Share-based payments	**26**	28
Bonuses paid or receivable	**1**	4
Total	**62**	69

Transactions with directors and others

At 31 December 2019, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules) about loans to directors were as follows:

	2020		2019	
	Number	**$million**	Number	$million
Directors	**3**	**–**	3	–

The loan transactions provided to the directors of Standard Chartered PLC were a connected transaction under Chapter 14A of the HK Listing Rules. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

Other than as disclosed in these financial statements, there were no other transactions, arrangements or agreements outstanding for any director of the Company which have to be disclosed under the Act.

35. Related party transactions continued

Group

	2020				2019			
	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million
Assets								
Ultimate parent company	409	664	–	–	1,272	973	–	–
Fellow subsidiaries of SC PLC Group	4,988	8,183	–	807	9,865	4,290	–	719
	5,397	8,847	–	807	11,137	5,263	–	719
Liabilities								
Ultimate parent company	12,262	1,150	14,373	4,005	12,534	447	11,709	2,128
Fellow subsidiaries of SC PLC Group	19,848	7,210	–	667	22,820	3,923	–	2
	32,110	8,360	14,373	4,672	35,354	4,370	11,709	2,130

	2020			
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million
Ultimate parent company	–	–	28	816
Fellow subsidiaries of SC PLC Group	66	139	37	108
	66	139	65	924

	2019			
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million
Ultimate parent company	–	–	8	933
Fellow subsidiaries of SC PLC Group	83	131	122	211
	83	131	130	1,144

The Group contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds (see Note 29).

The Group's employees participate in the Standard Chartered PLC group's share-based compensation plans (see Note 30). The cost of the compensation is recharged from Standard Chartered PLC to the Group's branches and subsidiaries.

Associates and joint ventures

The following transactions with related parties are on an arm's length basis:

	2020 $million	2019 $million
Assets		
Loans and advances	5	2
Debt securities	–	79
Total assets	5	81
Liabilities		
Deposits	880	32
Derivative liabilities	5	–
Total liabilities	885	32
Loan commitments and other guarantees[1]	55	53

1 The maximum loan commitments and other guarantees during the year was $55 million

35. Related party transactions continued

Company

	2020				2019			
	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million
Assets								
Ultimate parent company	409	664	–	–	1,272	973	–	–
Subsidiaries and fellow subsidiaries of SC PLC Group	9,732	10,591	–	1,869	20,654	5,487	–	1,732
	10,141	11,255	–	1,869	21,926	6,460	–	1,732
Liabilities								
Ultimate parent company	12,258	1,150	13,833	4,005	12,528	447	11,709	2,128
Subsidiaries and fellow subsidiaries of SC PLC Group	30,009	9,095	–	–	30,829	4,898	–	2
	42,267	10,245	13,833	4,005	43,357	5,345	11,709	2,130

	2020				
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million	Dividend income $million
Ultimate parent company	–	–	28	796	–
Subsidiaries and fellow subsidiaries of SC PLC Group	84	103	111	165	403
	84	103	139	961	403

	2019				
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million	Dividend income $million
Ultimate parent company	–	–	8	918	–
Subsidiaries and fellow subsidiaries of SC PLC Group	80	153	245	329	1,984
	80	153	253	1,247	1,984

As at 31 December 2020, Standard Chartered Bank had created a charge over $89 million (31 December 2019: $86 million) of cash assets in favour of the non-consolidated independent trustee of its employer financed retirement benefit scheme.

The Company contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds see note 29.

The Company's employees participate in the Standard Chartered PLC group's share-based compensation plans (see note 30).

The Company has an agreement with Standard Chartered PLC that in the event of the Company defaulting on its debt coupon interest payments, where the terms of such debt requires it, Standard Chartered PLC shall issue shares as settlement for non-payment of the coupon interest.

36. Post balance sheet events

On the 14 January 2021, Standard Chartered Bank issued $1,500 million 0.991 per cent senior debt due 2025 (callable 2024).

37. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, EY LLP and its associates (together EY), are set out below. All services are approved by the Group Audit Committee and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2020 $million	2019 $million
Audit fees for the Group statutory audit	11.0	10.0
Fees payable to EY/KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries	5.9	8.4
Total audit fees	16.9	18.4
Audit-related assurance services	3.3	7.6
Other assurance services	1.9	0.1
Other non-audit services	0.1	–
Corporate finance transaction services	–	0.6
Total fees payable	**22.2**	26.7

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to EY LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC
- Audit-related fees consist of fees such as those for services required by law or regulation to be provided by the auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets and extended work performed over financial information and controls authorised by those charged with governance
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Corporate finance transaction services are fees payable to EY for issuing comfort letters

Expenses for costs incurred and disbursements made in respect of their role as auditor, were reimbursed to EY. Such expenses since their appointment on 31 March 2020, did not exceed 1 per cent of total fees charged above.

38. Remuneration of Directors

This table sets out salary (including salary shares), pension and benefits received in 2020 and variable remuneration awards received in respect of 2020.

	2020[1] £000	2019[2] £000
Salaries and fees	9,384	8,554
Pension	615	1,060
Benefits	608	506
Annual incentive	2,298	4,416
Vesting of LTIP awards	1,184	2,136
Total	14,089	16,672

1 L Cheung, C Hodgson, B E Grote and T Clarke stepped down from the Board on 25 March, 30 June, 12 November and 31 December 2020 respectively. P Rivett joined the Board on 6 May 2020

2 The values of vesting LTIP awards for 2019 have been restated based on the actual share price of £4.49 when the awards vested in March 2020

Additional information on the remuneration elements in the above single total figure table

Salaries and fees

The total salaries of the four directors as at 1 January 2020 were £6,115,000. For two of the directors, salary is paid part in cash and part in shares which are subject to a retention period and released pro rata over five years. The number of salary shares allocated is determined based on the monetary value and the prevailing market price of the Group's shares on the date of allocation.

The total annualised fees of the Chairman and directors as at 1 January 2020 (or the date of appointment, if later) were £3,159,000.

There is no apportionment of remuneration between Standard Chartered Bank and Standard Chartered PLC.

Share awards

Four directors exercised share awards over Standard Chartered PLC during the year.

38. Remuneration of Directors continued

Pension and benefits

An explanation of pension and benefits for those directors who are also executive directors of the SC PLC Group can be found in the SC PLC Group's 2020 Directors' remuneration report on pages 133 to 166. The two directors who are also employees of the SC PLC Group received a flexible benefits allowance in alignment with the UK workforce to include a mixture of core pension and benefits provision, including private medical cover, life assurance and permanent health insurance. Some directors occasionally use a Group car service for travelling and, in some circumstances, were accompanied by their spouses to attend events.

For those directors who are also employees of the SC PLC Group, annual incentives in respect of 2020 are delivered upfront with at least 50 per cent paid in shares subject to a minimum twelve-month retention period.

Vesting of LTIP awards

The long-term incentive plan (LTIP) awards granted in March 2017 vested in March 2020, based on performance over the years 2017 to 2020. 38 per cent of these awards vested.

The LTIP awards granted in March 2018 are due to vest in March 2021, based on performance over the years 2018 to 2020. Following an estimated assessment of the performance measures (RoE with CET1 underpin, relative TSR and strategic measures), 26 per cent of these awards will vest. The final assessment of the relative TSR performance will be conducted in March 2021, the end of the three-year performance period. Based on a share price of £4.22, the three-month average to 31 December 2020, the estimated value to be delivered to the directors is £1,184,000.

Other disclosures

The remuneration policy and practices applying to the Material Risk Taker employees of the Bank are the same as those applied by the SC PLC Group which are set out in the SC PLC Group's 2020 Directors' remuneration report on pages 133 to 166.

Further information on the remuneration for those directors who are also executive directors of the SC PLC Group can be round in the SC PLC Group's 2020 Directors' remuneration report on pages 133 to 166.

39. Related undertakings of the Group

As at 31 December 2020, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Unless otherwise indicated, all related undertakings are held indirectly. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation. Note 31 details undertakings that have a significant contribution to the Group's net profit or net assets.

Subsidiary undertakings

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
SC (Secretaries) Limited	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 1 Limited	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited	United Kingdom	£1.00 Ordinary shares	100
SC Ventures Innovation Investment L.P.	United Kingdom	Limited Partnership interest	100
SCMB Overseas Limited	United Kingdom	£0.10 Ordinary shares	100
Standard Chartered Africa Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Foundation[1]	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Nominees (Private Clients UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Overseas Holdings Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited	United Kingdom	£10.00 Ordinary shares	100
The SC Transport Leasing Partnership 1	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 2	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 3	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 4	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 1 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 2 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 3 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 4 LP[1]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 5 LP[1]	United Kingdom	Limited Partnership interest	100
The following companies have the address of 2 More London Riverside, London SE1 2JT, United Kingdom			
Bricks (C&K) LP[1]	United Kingdom	Limited Partnership interest	100
Bricks (C) LP[1]	United Kingdom	Limited Partnership interest	100
Bricks (T) LP[1]	United Kingdom	Limited Partnership interest	100
The following company has the address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.			
SC Ventures G.P. Limited	United Kingdom	£1.00 Ordinary shares	100
The following companies have the address of TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.			
Zodia Custody Limited	United Kingdom	$1.00 Ordinary shares	100
Zodia Holdings Limited	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of Rua Gamal Abdel Nasser, Edificio Tres Torres, Eixo Viario, Distrito Urbano da Ingombota, Municipio de Luanda, Provincia de Luanda, Angola			
Standard Chartered Bank Angola S.A.	Angola	AOK8,742.05 Ordinary shares	60
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia			

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Grindlays Pty Limited	Australia	AUD Ordinary shares	100
The following companies have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana			
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Botswana	BWP1.00 Ordinary shares	100
Standard Chartered Investment Services (Proprietary) Limited	Botswana	BWP1.00 Ordinary shares	100
Standard Chartered Bank Botswana Limited	Botswana	BWP1.00 Ordinary shares	75.8
Standard Chartered Botswana Education Trust[2]	Botswana	Interest in trust	100
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	BWP Ordinary shares	100
The following company has the address of Avenida Brigadeiro Faria Lima, no 3.477, 6° andar, conjunto 62 – Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, São Paulo, Brazil			
Standard Chartered Participacoes Ltda	Brazil	BRL Ordinary shares	100
The following company has the address of Avenida Brigadeiro Faria Lima, 3600 – 7° andar, conj 72 04538-132, São Paulo, Brazil.			
Standard Chartered Representação Ltda	Brazil	BRL1.00 Ordinary shares	100
The following company has the address of G01-02, Wisma Haji Mohd Taha Building, Jalan Gadong, BE4119, Brunei Darussalam			
Standard Chartered Securities (B) Sdn Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon			
Standard Chartered Bank Cameroon S.A	Cameroon	XAF10,000.00 Ordinary shares	100
The following company has the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands			
Cerulean Investments LP	Cayman Islands	Limited Partnership interest	100
The following company has the address of Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands			
SCB Investment Holding Company Limited	Cayman Islands	$1,000.00 A Ordinary shares	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands			
Sirat Holdings Limited	Cayman Islands	$0.01 Ordinary shares	100
The following company has the address of No. 35, Xinhuanbei Road, TEDA, Tianjin, 300457, China			
Standard Chartered Global Business Services Co. Limited[3]	China	$ Ordinary shares	100
The following company has the address of Units 61-65 (Office use only), Self-numbered Room 01-04, Room 901, No 6, Zhujiang East Road, Tianhe District, Guangzhou City, Guangdong Province, China			
Standard Chartered Global Business Services (Guangzhou) Co.Ltd.[3]	China	$ Ordinary shares	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire			
Standard Chartered Bank Cote d' Ivoire SA	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
The following company has the address of 8 Ecowas Avenue, Banjul, Gambia			
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.85

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany			
Standard Chartered Bank AG	Germany	€ Ordinary shares	100
The following companies have the address of Standard Chartered Bank Building, 87 Independence Avenue, P.O. Box 768, Accra,Ghana			
Standard Chartered Bank Ghana PLC	Ghana	GHS Ordinary shares	69.4
		GHS0.52 Preference shares	87.0
Standard Chartered Ghana Nominees Limited	Ghana	GHS Ordinary shares	100
The following company has the address of Standard Chartered Bank Ghana PLC, 87, Independence Avenue, Post Office Box 678, Accra, Ghana			
Standard Chartered Wealth Management Limited Company	Ghana	GHS Ordinary shares	100
The following companies have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.			
Kozagi Limited	Hong Kong	HKD Ordinary shares	100
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	$ Ordinary shares	100
The following company has the address of 3/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong			
Standard Chartered Private Equity Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 21/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
Standard Chartered Asia Limited	Hong Kong	HKD Deferred shares	100
		HKD Ordinary shares	100
		$ Ordinary shares	100
The following company has the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India			
Standard Chartered Global Business Services Private Limited	India	INR10.00 Equity shares	100
The following company has the address of 90 M.G.Road, II Floor, Fort, Mumbai, Maharashtra, 400 001, India			
Standard Chartered Finance Private Limited	India	INR10.00 Ordinary shares	98.68
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India			
Standard Chartered Investments and Loans (India) Limited	India	INR10.00 Ordinary shares	100
The following company has the address of Crescenzo, 3A Floor, Plot No 38-39, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India			
Standard Chartered Private Equity Advisory (India) Private Limited	India	INR1,000.00 Ordinary shares	100
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.			
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	100
		INR10.00 Preference shares	100
The following company has the address of 2nd Floor, 23-25 M.G. Road, Fort, Mumbai, 400 001, India			
Standard Chartered Securities (India) Limited	India	INR10.00 Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Mumbai , Maharashtra , 400051, India			
St Helen's Nominees India Private Limited	India	INR10.00 Equity shares	100
The following company has the address of Vaishnavi Serenity, First Floor, No. 112, Koramangala Industrial Area, 5th Block, Koramangala, Bangalore, Karnataka, 560095, India			
Standard Chartered (India) Modeling and Analytics Centre Private Limited	India	INR10.00 Equity shares	100
The following companies have the address of 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle of Man			
Standard Chartered Assurance Limited	Isle of Man	$1.00 Ordinary shares	100
		$1.00 Redeemable Preference shares	100
Standard Chartered Insurance Limited[5]	Isle of Man	$1.00 Ordinary shares	100
The following company has the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan			
Standard Chartered Securities (Japan) Limited	Japan	JPY50,000 Ordinary shares	100
The following company has the address of 15 Castle Street, St Helier, JE4 8PT, Jersey			
SCB Nominees (CI) Limited	Jersey	$1.00 Ordinary shares	100
The following companies have the address of StandardChartered@Chiromo, Number 48, Westlands Road, P.O. Box 30003 – 00100, Nairobi, Kenya			
Standard Chartered Investment Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Kenya	KES5.00 Ordinary shares	74.32
		KES5.00 Preference shares	100
Standard Chartered Securities (Kenya) Limited	Kenya	KES10.00 Ordinary shares	100
Standard Chartered Financial Services Limited	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Insurance Agency Limited	Kenya	KES100.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of M6-2701, West 27Fl, Suha-dong, 26, Eulji-ro 5-gil, Jung-gu, Seoul, Korea, Republic of			
Resolution Alliance Korea Ltd[4]	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of Atrium Building, Maarad Street, 3rd Floor, P.O.Box: 11-4081 Riad El Solh, Beirut, Beirut Central District, Lebanon			
Standard Chartered Metropolitan Holdings SAL	Lebanon	$10.00 Ordinary A shares	100
The following companies have the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM Ordinary shares	100
Golden Maestro Sdn Bhd	Malaysia	RM Ordinary shares	100
Popular Ambience Sdn Bhd	Malaysia	RM Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM Ordinary shares	100
SCBMB Trustee Berhad	Malaysia	RM Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM Irredeemable Convertible Preference shares	100
		RM Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Saadiq Berhad	Malaysia	RM Ordinary shares	100
The following company has the address of Suite 18-1, Level 18, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City , No. 8, Jalan Kerinchi , 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Resolution Alliance Sdn Bhd[1]	Malaysia	RM Ordinary shares	91
		RM Irredeemable Preference shares	100
The following company has the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, 57000 Bukit Jalil, Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Standard Chartered Global Business Services Sdn Bhd	Malaysia	RM Ordinary shares	100
The following company has the address of SGG Corporate Services (Mauritius) Ltd, 33, Edith Cavell St, Port Louis, 11324, Mauritius			
Actis Treit Holdings (Mauritius) Limited[1]	Mauritius	Class A $1.00 Ordinary shares	62.001
		Class B $1.00 Ordinary shares	62.001
The following company has the address of 6/F, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Bank (Mauritius) Limited	Mauritius	$ Ordinary shares	100
The following companies have the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius			
Standard Chartered Financial Holdings	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of C/O International Proximity, 5th Floor, Ebene Esplanade, 24 Bank Street, Cybercity, Ebene, Plaines, Wilhems, 72201, Mauritius			
Subcontinental Equities Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal			
Standard Chartered Bank Nepal Limited	Nepal	NPR100.00 Ordinary shares	70.21
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
Standard Chartered Holdings (Africa) B.V.[5]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.[5]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V.[5]	Netherlands	€4.50 Ordinary shares	100
Standard Chartered MB Holdings B.V.[5]	Netherlands	€4.50 Ordinary shares	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria			
Cherroots Nigeria Limited	Nigeria	NGN1.00 Ordinary Shares	100
Standard Chartered Bank Nigeria Limited	Nigeria	NGN1.00 Irredeemable Non Cumulative Preference shares	100
		NGN1.00 Ordinary shares	100
		NGN1.00 Redeemable Preference shares	100
Standard Chartered Capital & Advisory Nigeria Limited	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Nigeria	NGN1.00 Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of P.O. Box No. 5556I.I. Chundrigar Road, Karachi, 74000, Pakistan			
Standard Chartered Bank (Pakistan) Limited	Pakistan	PKR10.00 Ordinary shares	98.99
The following company has the address of Rondo Daszyńskiego 2B,, 00-843 , Warsaw, Poland			
Standard Chartered Global Business Services spólka z ograniczona odpowiedzialnoscia	Poland	PLN50.00 Ordinary shares	100
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D) , King Fahad Highway, Olaya District, Riyadh P.O box 295522 , Riyadh, 11351 , Saudi Arabia			
Standard Chartered Capital (Saudi Arabia)	Saudi Arabia	SAR10.00 Ordinary shares	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone			
Standard Chartered Bank Sierra Leone Limited	Sierra Leone	SLL1.00 Ordinary shares	80.7
The following companies have the address of 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore.			
Actis RE Investment 1 Private Limited[1]	Singapore	SGD Ordinary shares	100
Actis RE Investment 2 Private Limited[1]	Singapore	SGD Ordinary shares	100
Actis RE Investment 3 Private Limited[1]	Singapore	SGD Ordinary shares	100
Actis RE Investment 4 Private Limited[1]	Singapore	SGD Ordinary shares	100
Actis Treit Holdings No.1 (Singapore) Private Limited[1]	Singapore	SGD Ordinary shares	100
Actis Treit Holdings No.2 (Singapore) Private Limited[1]	Singapore	SGD Ordinary shares	100
The following company has the address of 7 Changi Business Park Crescent, #03-00 Standard Chartered @ Changi, 486028, Singapore			
Raffles Nominees (Pte.) Limited	Singapore	SGD Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore			
SCTS Capital Pte. Ltd	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Singapore	SGD Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Non-cumulative Preference shares	100
		SGD Non-cumulative Class C Preference shares	100
		$ Ordinary shares	100
		$ Preference shares	100
Standard Chartered Trust (Singapore) Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Holdings (Singapore) Private Limited	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
SC Bank Solutions (Singapore) Limited	Singapore	SGD Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Singapore	$ Ordinary shares	100
The following company has the address of 120 Robinson Road, #08-01, 068913, Singapore			
Standard Chartered Nominees (Singapore) Pte Ltd	Singapore	SGD Ordinary shares	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore			
Autumn Life Pte. Ltd.	Singapore	$ Ordinary shares	100
Cardspal Pte. Ltd.	Singapore	$ Ordinary shares	100
Nexco Pte. Ltd.	Singapore	$ Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa			
CMB Nominees (RF) PTY Limited	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	South Africa	ZAR Ordinary shares	100
The following companies have the address of 1 Floor, International House, Shaaban Robert Street / Garden Avenue, PO Box 9011, Dar Es Salaam, Tanzania, United Republic of			
Standard Chartered Bank Tanzania Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
		TZS1,000.00 Preference shares	100
Standard Chartered Tanzania Nominees Limited	Tanzania, United Republic of	TZS1,000.00 Ordinary shares	100
The following company has the address of 100 North Sathorn Road, Silom, Bangrak Bangkok , 10500, Thailand			
Standard Chartered Bank (Thai) Public Company Limited	Thailand	THB10.00 Ordinary shares	99.99
The following company has the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Turkey			
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Turkey	TRL0.10 Ordinary shares	100
The following company has the address of Standard Chartered Bank Bldg, 5 Speke Road, PO Box 7111, Kampala, Uganda			
Standard Chartered Bank Uganda Limited	Uganda	UGS1,000.00 Ordinary shares	100
The following company has the address of 505 Howard St. #201, San Francisco, CA 94105, United States			
SC Studios, LLC	United States	Membership Interest	100
The following company has the address of Standard Chartered Bank, 37F, 1095 Avenue of the Americas, New York 10036, United States			
Standard Chartered Bank International (Americas) Limited	United States	$1,000.00 Ordinary shares	100
The following companies have the address of Corporation Trust Centre, 1209 Orange Street, Wilmington DE 19801, United States			
Standard Chartered Holdings Inc.	United States	$100.00 Common shares	100
Standard Chartered Capital Management (Jersey), LLC	United States	$ Ordinary shares	100
Standard Chartered Securities (North America) LLC	United States	Membership Interest	100
StanChart Securities International LLC	United States	Membership Interest	100
Standard Chartered International (USA) LLC	United States	Membership Interest	100
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States			
Standard Chartered Overseas Investment, Inc.	United States	$10.00 Ordinary shares	100
The following company has the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States			
Standard Chartered Trade Services Corporation	United States	$0.01 Common shares	100
The following company has the address of Room 1810-1815, Level 18, Building 72, Keangnam Hanoi Landmark Tower, Pham Hung Road, Cau Giay New Urban Area, Me Tri Ward, Nam Tu Liem District, Hanoi10000, Vietnam			
Standard Chartered Bank (Vietnam) Limited	Vietnam	VND Charter Capital shares	100
The following companies have the address of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British			
Sky Favour Investments Limited	Virgin Islands, British	$1.00 Ordinary shares	100
Sky Harmony Holdings Limited	Virgin Islands, British	$1.00 Ordinary shares	100

39. Related undertakings of the Group continued

Name and registered address	Country of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Stand 13, Standard Chartered House,Cairo Road, P.O Box 32238, Lusaka, Zambia , 10101, Zambia			
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Securities Services Nominees Limited	Zambia	ZMW1.00 Ordinary shares	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe			
Africa Enterprise Network Trust[2]	Zimbabwe	Interest in Trust	100
Standard Chartered Bank Zimbabwe Limited	Zimbabwe	$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Zimbabwe	$2.00 Ordinary shares	100

1 The Group has determined that these undertakings are excluded from being consolidated into the Groups accounts, and do not meet the definition of a Subsidiary under IFRS. See notes 31 and 32 for the consolidation policy and disclosure of the undertaking

2 No share capital by virtue of being a trust

3 Limited liability company

4 The Group has determined the principle country of operation to be Singapore

5 The Group has determined the principle country of operation to be the United Kingdom

Joint ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore			
Assembly Payments Pte. Ltd.	Singapore	$ Ordinary shares	50
		$ Preference shares	50

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 3 More London Riverside,London, England, SE1 2AQ, United Kingdom			
Trade Information Network Limited	United Kingdom	$1.00 Ordinary shares	16.667
The following company has the address of C/o CIM Corporate Services Ltd, Les Cascades, Edith Cavell Street, Port Louis, Mauritius			
FAI Limited	Mauritius	$1.00 Ordinary shares	25
The following company has the address of Victoria House, State House Avenue, Victoria, MAHE, Seychelles			
Seychelles International Mercantile Banking Corporation Limited	Seychelles	SCR1,000.00 Ordinary shares	22
The following company has the address of 1 Raffles Quay, #23-01, One Raffles Quay, 048583, Singapore			
Clifford Capital Holdings Pte. Ltd.	Singapore	$1.00 Ordinary shares	9.9
The following company has the address of Avenue de Tivoli 2, 1007, Lausanne, Switzerland			
Metaco SA	Switzerland	CHF 0.01 Preference A shares	29.505

39. Related undertakings of the Group continued

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands			
ATSC Cayman Holdco Limited	Cayman Islands	$0.01 A Ordinary shares	5.3
		$0.01 B Ordinary shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcaiyuan, West Er Huan Rd, Xi Shan District, Kunming, Yunnan Province, PRC, China			
Yunnan Golden Shiner Property Development Co., Ltd.	China	CNY1.00 Ordinary shares	42.5
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Rd, Central Sheung Wan, Hong Kong			
Actis Carrock Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.69
		$ Class B Ordinary shares	39.69
Actis Jack Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.69
		$ Class B Ordinary shares	39.69
Actis Rivendell Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.69
		$ Class B Ordinary shares	39.69
Actis Temple Stay Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.69
		$ Class B Ordinary shares	39.69
Actis Young City Holdings (HK) Limited	Hong Kong	$ Class A Ordinary shares	39.69
		$ Class B Ordinary shares	39.69
The following company has the address of 1221 A, Devika Tower, 12th Floor, 6 Nehru Place, New Delhi 110019, New Delhi, 110019, India.			
Mikado Realtors Private Limited	India	INR10.00 Ordinary shares	26
The following company has the address of Elphinstone Building, 2nd Floor,10 Veer Nariman Road, Fort, Mumbai -400001, Maharashtra, India			
TRIL IT4 Private Limited	India	INR10.00 Ordinary shares	26
The following company has the address of 4/F, 274, Chitalia House, Dr. Cawasji Hormusji Road, Dhobi Talao, Mumbai City, Maharashtra, India 400 002, Mumbai, 400 002, India			
Industrial Minerals and Chemical Co. Pvt. Ltd	India	INR100.00 Ordinary shares	26
The following company has the address of 1 Venture Avenue, #07-07 Big Box, 608521, Singapore			
Omni Centre Pte. Ltd.	Singapore	SGD Redeemable Convertible Preference shares	100
The following company has the address of 3 Jalan Pisang, c/o Watiga Trust Ltd, 199070 Singapore			
SCIAIGF Liquidating Trust	Singapore	Interest in trust	43.96
The following company has the address of 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States			
Paxata, Inc.	United States	$0.0001 Series C2 Preferred Stock	40.741
	United States	$0.0001 Series C3 Preferred Stock	10.112

39. Related undertakings of the Group continued

In liquidation

Subsidiary undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Deloitte LLP, 1 New Street Square, London, EC3A 3HQ, United Kingdom			
SC Leaseco Limited	United Kingdom	$1.00 Ordinary shares	100
The following companies have the address of Deloitte LLP, 1 New Street Square, London, EC3A 3HQ, United Kingdom			
Compass Estates Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Masterbrand Licensing Limited	United Kingdom	$1.00 Ordinary Shares	100
The following company has the address of 2 More London Riverside, London SE1 2JT, United Kingdom			
Bricks (M) LP	United Kingdom	Limited Partnership interest	100
The following company has the address of 51-55 Jalan Sultan, Complex Jalan sultan, Bandar Seri Begawan, BS8811, Brunei Darussalam			
Standard Chartered Finance (Brunei) Bhd	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of Mourant Ozannes Corporate Services (Cayman) Limited, Harbour Centre, 42 North Church Street, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands			
Sunflower Cayman SPC	Cayman Islands	$1.00 Management shares	100
The following company has the address of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road George Town, Grand Cayman KY1-9008, Cayman Islands			
Standard Chartered Principal Finance (Cayman) Limited	Cayman Islands	$0.0001 Ordinary shares	100
The following companies have the address of Bordeaux Court, Les Echelons, South Esplanade, St.Peter Port, Guernsey			
Birdsong Limited	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Guernsey	£1.00 Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong			
Leopard Hong Kong Limited	Hong Kong	$ Ordinary shares	100
The following company has the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Sherwood (HK) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.			
Ori Private Limited	Hong Kong	$ Ordinary shares	100
		$ A Ordinary shares	90.7
The following company has the address of Menara Standard Chartered, 3rd Floor, Jl. Prof.Dr. Satrio no. 164, Setiabudi, Jarkarta Selatan, Indonesia			
PT Solusi Cakra Indonesia (dalam likuidasi)	Indonesia	IDR23,809,600.00 Ordinary shares	99
The following company has the address of No. 157 – 157 A, Jakarta Barat, 11130, Indonesia.			
PT. Price Solutions Indonesia (dalam likuidasi)	Indonesia	$100.00 Ordinary shares	100

39. Related undertakings of the Group continued

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Standard Chartered@Chiromo, Number 48, Westlands Road, P. O. Box 30003 – 00100, Nairobi, Kenya			
Standard Chartered Management Services Limited	Kenya	KES20.00 Ordinary shares	100
The following company has the address of 30 Rue Schrobilgen, 2526, Luxembourg			
Standard Chartered Financial Services (Luxembourg) S.A.	Luxembourg	€25.00 Ordinary shares	100
The following company has the address of IQ EQ Corporate Services (Mauritius) Ltd , Les Cascades Building, 33, Edith Cavell Street Port Louis, 11324, Mauritius			
Actis Asia Real Estate (Mauritius) Limited	Mauritius	Class A $1.00 Ordinary shares	100
		Class B $1.00 Ordinary shares	100
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru			
Banco Standard Chartered en Liquidacion	Peru	$75.133 Ordinary shares	100
The following company has the address of 8 Marina Boulevard, Level 27, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Standard Chartered (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
The following company has the address of Abogado Pte Ltd, No. 8 Marina Boulevard, #05-02 MBFC Tower 1, 018981, Singapore			
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Singapore	$ Ordinary shares	50
The following company has the address of 6/F, Hewlett Packard Building, 337 Fu Hsing North Road, Taipei, Taiwan			
Kwang Hua Mocatta Company Ltd. (Taiwan)	Taiwan	TWD1,000.00 Ordinary shares	97.92
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay			
Standard Chartered Uruguay Representacion S.A.	Uruguay	UYU1.00 Ordinary shares	100

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia			
House Network SDN BHD	Malaysia	RM1.00 Ordinary shares	25

39. Related undertakings of the Group continued

Liquidated/dissolved/sold

Subsidiary undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
B.W.A Dependents Limited	United Kingdom	£1.00 Ordinary shares	100
Bricks (P) LP	United Kingdom	Limited Partnership interest	100
Standard Chartered Capital Markets Limited	United Kingdom	£1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
Chartered Financial Holdings Limited	United Kingdom	£5.00 Ordinary shares	100
		£1.00 Preference shares	100
Standard Chartered Debt Trading Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (Canada) Limited	Canada	CAD1.00 Ordinary shares	100
Standard Chartered Saadiq Mudarib Company Limited	Cayman Islands	$1.00 Ordinary shares	100
Sociedad Fiduciaria Extebandes S.A.	Colombia	COP1.00 Ordinary shares	100
American Express International Finance Corp.N.V.	Curaçao	$1,000.00 Ordinary shares	100
Ricanex Participations N.V.	Curaçao	$1,000.00 Ordinary shares	100
Majestic Legend Limited	Hong Kong	HKD1.00 Ordinary shares	100
Amphissa Corporation Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Standard Chartered PF Managers Pte. Limited	Singapore	$ Ordinary shares	100
Standard Chartered Bank (Switzerland) S.A.	Switzerland	CHF1,000.00 Ordinary shares	100
		CHF100.00 Participation Capital shares	100

Joint ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
PT Bank Permata Tbk	Indonesia	IDR125.00 B shares	44.6

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered IL&FS Asia Infrastructure (Cayman) Limited	Cayman Islands	$0.01 Ordinary shares	50
Standard Chartered IL&FS Asia Infrastructure Growth Fund Company Limited	Cayman Islands	$1.00 Ordinary shares	50
PT Trikomsel Oke Tbk	Indonesia	IDR50.00 Series B shares	29.195
Standard Jazeera Limited	Jersey	$1.00 Class A Redeemable Preference shares	20
		$1.00 Class C Redeemable Preference shares	100
		$1.00 Ordinary Shares	20
Standard Topaz Limited	Jersey	$1,000.00 Ordinary shares	20.1
		$1.00 Class C Redeemable Preference shares	100

40. Discontinued operations

Accounting policy

A common control transaction is a business combination involving entities or businesses that are all directly or indirectly under the control of the same ultimate parent company, Standard Chartered PLC. Such transactions result in changes in the entities and sub-consolidation groups affected but do not affect the consolidated financial statements of the ultimate parent company.

When an entity under common control is transferred:

- The acquirer recognises the net assets of the entity at their book values in its sub-consolidated financial statements, with the difference between the net book value of the entity and consideration paid being recognised in retained earnings
- The acquirer recognises the fair value of the investment in subsidiary in its separate financial statements. The treatment of any difference between the fair value of the entity and consideration paid depends on whether the entity is being transferred up (in which case dividend income in profit or loss) or across (in which case retained earnings) the ultimate parent's consolidated group
- The transferor derecognises the net assets of the entity from its sub-consolidated financial statements. The treatment of any difference between the net book value of the entity and consideration received depends on whether the entity is being transferred up (in which case retained earnings) or across (in which case other income in profit or loss) the ultimate parent's consolidated group
- The transferor derecognises the investment in subsidiary from its separate financial statements, with the difference between the entity's fair value and book value recognised in other income. The treatment of any difference between the fair value of the entity and consideration received is recognised in the appropriate reserve within equity

When assets and liabilities that meet the definition of a business per IFRS 3 are transferred in a common control transaction, as opposed to shares of an entity, the acquirer recognises the business in both its sub-consolidated and separate financial statements at net book value. The treatment of gain or loss then follows the rules above for both acquirers and transferors.

Accounting estimates and judgements

The determination of the fair value of the entities transferred is based upon significant estimates, including forecast future cash flows, the determination of the appropriate discount rate, growth rates and terminal values used in the calculation of the present value of those cash flows. Judgement is required when considering appropriate market comparable entity valuations including listed equity prices and price to book ratios, as well as determining the relevant comparable historical entity sale and purchase transactions in determining a fair value range. Judgement is further required when determining a fair value within a range of possible estimates.

Group reorganisation

On 4 March 2019, Standard Chartered Bank (SCB) transferred via a dividend in specie its ordinary shares in Standard Chartered Bank (Hong Kong) Limited (SCB HK) to Standard Chartered Holdings Limited (SCH). SCH in turn transferred via a dividend in specie 100 per cent of the ordinary shares of SCB HK to Standard Chartered PLC (SC PLC), the Group's ultimate parent.

On 1 June 2019, SCB transferred its shareholding in Standard Chartered Bank (China) Limited to SCB HK in exchange for ordinary shares in SCB HK.

On 3 June 2019, SCB transferred via dividend in specie such SCB HK shares to SCH and in turn, SCH transferred via dividend in specie such SCB HK shares to SC PLC.

On 1 October 2019, SCB transferred its ordinary shares in Standard Chartered NEA Limited (SC NEA), the holding company of Standard Chartered Bank Korea Limited, to SCB HK, and on the same day, its ordinary shares in Standard Chartered Bank (Taiwan) Limited to SC NEA.

The entities transferred were not previously classified as held-for-sale or as a discontinued operation.

On a Group basis, a loss on discontinued operations of $4,573 million was recorded in 2019. On a standalone Company basis, a loss on sale of $475 million was recorded in 2019.

Results of the discontinued operations for the year ended 2019 are presented below:

40. Discontinued operations continued

Consolidated income statement
For the year ended 31 December 2019

	2019 $million
Discontinued operations	
Interest income	2,374
Interest expense	(1,049)
Net interest income	1,325
Fees and commission income	548
Fees and commission expense	(122)
Net fee and commission income	426
Net trading income	241
Other operating income	116
Operating income	2,108
Staff costs	(723)
Premises costs	(69)
General administrative expenses	(395)
Depreciation and amortisation	(126)
Operating expenses	(1,313)
Operating profit before impairment losses and taxation	795
Credit impairment	(47)
Other impairment	–
Profit from associates and joint ventures	36
Profit before taxation	784
Taxation	(189)
Profit from operating activities after taxation	595
Loss on disposal of discontinued operations:	
Loss on transfer of goodwill	(618)
Accumulated exchange differences on translation of foreign operations	(1,432)
Loss on sale of discontinued operations	(2,939)
Capital gains tax on internal restructuring	(179)
Loss from discontinued operations after taxation	(4,573)

40. Discontinued operations continued

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	2019 $million
Loss for the year	(4,573)
Other comprehensive (loss)/income	
Items that will not be reclassified to income statement:	(10)
Own credit losses on financial liabilities designated at fair value through profit or loss	(3)
Equity instruments at fair value through other comprehensive income	(1)
Actuarial losses on retirement benefit obligations	(9)
Taxation relating to components of other comprehensive income	3
Items that may be reclassified subsequently to income statement:	1,355
Exchange differences on translation of foreign operations:	
Net gain taken to equity	1,327
Share of other comprehensive loss from associates and joint ventures	(5)
Debt instruments at fair value through other comprehensive income:	
Net valuation gains taken to equity	34
Reclassified to income statement	(6)
Net impact of expected credit losses	–
Cashflow hedges:	
Net losses taken to equity	(2)
Reclassified to income statement	9
Taxation relating to components of other comprehensive income	(2)
Other comprehensive income for the year, net of taxation	1,345
Total comprehensive loss for the year	(3,228)

Glossary

AT1 or Additional Tier 1 capital
Additional Tier 1 capital consists of instruments other than Common Equity Tier 1 that meet the Capital Requirements Regulation (CRR) criteria for inclusion in Tier 1 capital.

Additional value adjustment
See Prudent valuation adjustment.

Advanced Internal Rating Based (AIRB) approach
The AIRB approach under the Basel framework is used to calculate credit risk capital based on the Group's own estimates of prudential parameters.

Alternative performance measures
A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

ASEAN
Association of South East Asian Nations (ASEAN) which includes the Group's operations in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

AUM or Assets under management
Total market value of assets such as deposits, securities and funds held by the Group on behalf of the clients.

Basel II
The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the International Convergence of Capital Measurement and Capital Standards.

Basel III
The global regulatory standards on bank capital adequacy and liquidity, originally issued in December 2010 and updated in June 2011. In December 2017, the BCBS published a document setting out the finalisation of the Basel III framework. The latest requirements issued in December 2017 will be implemented from 2022.

BCBS or Basel Committee on Banking Supervision
A forum on banking supervisory matters which develops global supervisory standards for the banking industry. Its members are officials from 45 central banks or prudential supervisors from 27 countries and territories.

Basic earnings per share (EPS)
Represents earnings divided by the basic weighted average number of shares.

Basis point (bps)
One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent.

CRD or Capital Requirements Directive
A capital adequacy legislative package adopted by EU member states. CRD comprises the recast Capital Requirements Directive and the Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014. CRR II and CRD V amending the existing package came into force in June 2019 with most changes starting to apply from 28 June 2021.

Capital-lite income
Income derived from products with low RWA consumption or products which are non-funding in nature.

Capital resources
Sum of Tier 1 and Tier 2 capital after regulatory adjustments.

CGU or Cash-generating unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash shortfall
The difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Clawback
An amount an individual is required to pay back to the Group, which has to be returned to the Group under certain circumstances.

Commercial real estate
Includes office buildings, industrial property, medical centres, hotels, malls, retail stores, shopping centres, farm land, multi-family housing buildings, warehouses, garages, and industrial properties. Commercial real estate loans are those backed by a package of commercial real estate assets.

CET1 or Common Equity Tier 1 capital
Common Equity Tier 1 capital consists of the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.

CET1 ratio
A measure of the Group's CET1 capital as a percentage of risk-weighted assets.

Contractual maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be paid.

Countercyclical capital buffer
The countercyclical capital buffer (CCyB) is part of a set of macroprudential instruments, designed to help counter procyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets in a given jurisdiction. The Bank of England's Financial Policy Committee has the power to set the CCyB rate for the United Kingdom. Each bank must calculate its 'institution-specific' CCyB rate, defined as the weighted average of the CCyB rates in effect across the jurisdictions in which it has credit exposures. The institution-specific CCyB rate is then applied to a bank's total risk-weighted assets.

Counterparty credit risk
The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

CCF or Credit conversion factor
An estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default. This is either prescribed by CRR or modelled by the bank.

CDS or Credit default swaps
A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit institutions
An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

Credit risk mitigation
Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

CVA or Credit valuation adjustments
An adjustment to the fair value of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the contracts.

Customer accounts
Money deposited by all individuals and companies which are not credit institutions including securities sold under repurchase agreement (see repo/reverse repo). Such funds are recorded as liabilities in the Group's balance sheet under customer accounts.

Days past due
One or more days that interest and/or principal payments are overdue based on the contractual terms.

DVA or Debit valuation adjustment
An adjustment to the fair value of derivative contracts that reflects the possibility that the Group may default and not pay the full market value of contracts.

Debt securities
Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue
Debt securities in issue are transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Deferred tax asset
Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses or the carry-forward of unused tax credits.

Deferred tax liability
Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

Default
Financial assets in default represent those that are at least 90 days past due in respect of principal or interest and/or where the assets are otherwise considered to be unlikely to pay, including those that are credit-impaired.

Defined benefit obligation
The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

Defined benefit scheme
Pension or other post-retirement benefit scheme other than a defined contribution scheme.

Defined contribution scheme
A pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

Deposits by banks
Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under repo.

Diluted earnings per share (EPS)
Represents earnings divided by the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Dividend per share
Represents the entitlement of each shareholder in the share of the profits of the Company. Calculated in the lowest unit of currency in which the shares are quoted.

Early alert, purely and non-purely precautionary
A borrower's account which exhibits risks or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded to credit grade 12 or worse. When an account is on early alert, it is classified as either purely precautionary or non-purely precautionary. A purely precautionary account is one that exhibits early alert characteristics, but these do not present any imminent credit concern. If the symptoms present an imminent credit concern, an account will be considered for classification as non-purely precautionary.

Effective tax rate
The tax on profit/ (losses) on ordinary activities as a percentage of profit/ (loss) on ordinary activities before taxation.

Encumbered assets
On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.

EU or European Union
The European Union (EU) is a political and economic union of 27 member states that are located primarily in Europe.

Eurozone
Represents the 19 EU countries that have adopted the euro as their common currency.

ECL or Expected credit loss
Represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

Expected loss
The Group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on probability of default, loss given default and exposure at default, with a one-year time horizon.

Exposures
Credit exposures represent the amount lent to a customer, together with any undrawn commitments.

EAD or Exposure at default
The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.

ECAI or External Credit Assessment Institution
External credit ratings are used to assign risk-weights under the standardised approach for sovereigns, corporates and institutions. The external ratings are from credit rating agencies that are registered or certified in accordance with the credit rating agencies regulation or from a central bank issuing credit ratings which is exempt from the application of this regulation.

FCA or Financial Conduct Authority
The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

Forbearance
Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial difficulties. The Group classifies such modified loans as either 'Forborne – not impaired loans' or 'Loans subject to forbearance – impaired'. Once a loan is categorised as either of these, it will remain in one of these two categories until the loan matures or satisfies the 'curing' conditions described in Note 8 to the financial statements.

Forborne – not impaired loans
Loans where the contractual terms have been modified due to financial difficulties of the borrower, but the loan is not considered to be impaired. See 'Forbearance'.

Funded/unfunded exposures
Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where a commitment to provide future funding is made but funds have been released/ not released.

FVA or Funding valuation adjustments
FVA reflects an adjustment to fair value in respect of derivative contracts that reflects the funding costs that the market participant would incorporate when determining an exit price.

G-SIBs or Global Systemically Important Banks
Global banking financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The list of G-SIBs is assessed under a framework established by the FSB and the BCBS. In the EU, the G-SIB framework is implemented via CRD and G-SIBs are referred to as Global Systemically Important Institutions (G-SIIs).

G-SIB buffer
A CET1 capital buffer which results from designation as a G-SIB. The G-SIB buffer is between 1 per cent and 3.5 per cent, depending on the allocation to one of five buckets based on the annual scoring. In the EU, the G-SIB buffer is implemented via CRD as Global Systemically Important Institutions (G-SII) buffer requirement.

Hong Kong regional hub
Standard Chartered Bank (Hong Kong) Limited and its subsidiaries including the primary operating entities in China, Korea and Taiwan. Standard Chartered PLC is the ultimate parent company of Standard Chartered Bank (Hong Kong) Limited.

Interest rate risk
The risk of an adverse impact on the Group's income statement due to changes in interest rates.

IRB or internal ratings-based approach
Risk-weighting methodology in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of prudential parameters.

Internal model approach
The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD/CRR.

IAS or International Accounting Standard
A standard that forms part of the International Financial Reporting Standards framework.

IASB or International Accounting Standards Board
An independent standard-setting body responsible for the development and publication of IFRS, and approving interpretations of IFRS standards that are recommended by the IFRS Interpretations Committee (IFRIC).

IFRS or International Financial Reporting Standards
A set of international accounting standards developed and issued by the International Accounting Standards Board, consisting of principles-based guidance contained within IFRSs and IASs. All companies that have issued publicly traded securities in the EU are required to prepare annual and interim reports under IFRS and IAS standards that have been endorsed by the EU.

IFRIC
The IFRS Interpretations Committee supports the IASB in providing authoritative guidance on the accounting treatment of issues not specifically dealt with by existing IFRSs and IASs.

Investment grade
A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.

Leverage ratio
A ratio introduced under CRD that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk-based backstop measure.

LCR or Liquidity coverage ratio
The ratio of the stock of high-quality liquid assets to expected net cash outflows over the following 30 days. High-quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

Loan exposure
Loans and advances to customers reported on the balance sheet held at amortised cost or FVOCI, non-cancellable credit commitments and cancellable credit commitments for credit cards and overdraft facilities.

Loans and advances to customers
This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument.

Loans and advances to banks
Amounts loaned to credit institutions including securities bought under Reverse repo.

LTV or loan-to-value ratio
A calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans past due
Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

Loans subject to forbearance – impaired
Loans where the terms have been renegotiated on terms not consistent with current market levels due to financial difficulties of the borrower. Loans in this category are necessarily impaired. See ‘Forbearance’.

Loss rate
Uses an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.

LGD or Loss given default
The percentage of an exposure that a lender expects to lose in the event of obligor default.

Low returning clients
See ‘Perennial sub-optimal clients’.

Malus
An arrangement that permits the Group to prevent vesting of all or part of the amount of an unvested variable remuneration award, due to a specific crystallised risk, behaviour, conduct or adverse performance outcome.

Master netting agreement
An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

Mezzanine capital
Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

MREL or minimum requirement for own funds and eligible liabilities
A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks, implementing the FSB’s Total Loss Absorbing Capacity (TLAC) standard. MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.

Net asset value (NAV) per share
Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

Net exposure
The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.

NII or Net interest income
The difference between interest received on assets and interest paid on liabilities.

NSFR or Net stable funding ratio
The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one-year time horizon.

NPLs or non-performing loans
An NPL is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes Retail loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

Non-linearity
Non-linearity of expected credit loss occurs when the average of expected credit loss for a portfolio is higher than the base case (median) due to the fact that bad economic environment could have a larger impact on ECL calculation than good economic environment.

Normalised items
See 'Underlying' on page 174.

Operating expenses
Staff and premises costs, general and administrative expenses, depreciation and amortisation. Underlying operating expenses exclude expenses as described in 'Underlying earnings'. A reconciliation between underlying and statutory earnings is contained in Note 2 to the financial statements.

Operating income or operating profit
Net interest, net fee and net trading income, as well as other operating income. Underlying operating income represents the income line items above, on an underlying basis. See 'Underlying earnings'.

OTC or Over-the-counter derivatives
A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

OCA or Own credit adjustment
An adjustment to the Group's issued debt designated at fair value through profit or loss that reflects the possibility that the Group may default and not pay the full market value of the contracts.

Perennial sub-optimal clients
Clients that have returned below 3% return on risk-weighted assets for the last three years

Physical risks
The risk of increased extreme weather events including flood, drought and sea level rise.

Pillar 1
The first pillar of the three pillars of the Basel framework which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.

Pillar 2
The second pillar of the three pillars of the Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

Priority Banking
Priority Banking customers are individuals who have met certain criteria for deposits, AUM, mortgage loans or monthly payroll. Criteria varies by country.

Private equity investments
Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

PD or Probability of default
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation over a given time horizon.

Probability weighted
Obtained by considering the values the metric can assume, weighted by the probability of each value occurring.

Profit (loss) attributable to ordinary shareholders
Profit (loss) for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

PVA or Prudent valuation adjustment
An adjustment to CET1 capital to reflect the difference between fair value and prudent value positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.

PRA or Prudential Regulation Authority
The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.

Regulatory consolidation
The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it excludes Standard Chartered Assurance Limited and Standard Chartered Insurance Limited and includes the full consolidation of PT Bank Permata Tbk.

Repo/reverse repo
A repurchase agreement or repo is a short-term funding agreement, which allows a borrower to sell a financial asset, such as asset-backed securities or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

Residential mortgage
A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

RoRWA or Return on risk-weighted assets
Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See 'RWA' and 'Underlying earnings'.

RWA or Risk-weighted assets
A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.

Risks-not-in-VaR (RNIV)
A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

Roll rate
Uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

Secured (fully and partially)
A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

Securitisation
Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a structured entity which then issues new securities to investors at different levels of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originating institution.

Senior debt
Debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure than subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

SICR or Significant increase in credit risk
Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

Solo
The solo regulatory group as defined in the Prudential Regulation Authority waiver letter dated 24 August 2017 differs from Standard Chartered Bank Company in that it includes the full consolidation of eight subsidiaries, namely Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V, Standard chartered UK Holdings Limited, Standard Chartered Grindlays PTY Limited, SCMB Overseas Limited, Standard Chartered Capital Management (Jersey) LLC, Standard Chartered Debt Trading Limited and Cerulean Investments LP.

Sovereign exposures
Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures, as defined by the European Banking Authority, include only exposures to central governments.

Stage 1
Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2
Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3
Assets that are in default and considered credit-impaired (non-performing loans).

Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured note
An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.

TLAC or Total loss absorbing capacity
An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.

Transition risks
The risk of changes to market dynamics or sectoral economics due to governments' response to climate change.

UK bank levy
A levy that applies to certain UK banks and the UK operations of foreign banks. The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's consolidated balance sheet date. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

Unbiased
Not overly optimistic or pessimistic, represents information that is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that the financial information will be received favourably or unfavourably by users.

Unlikely to pay
Indications of unlikeliness to pay shall include placing the credit obligation on non-accrued status; the recognition of a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Group taking on the exposure; selling the credit obligation at a material credit-related economic loss; the Group consenting to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant fees; filing for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Group; the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Group.

VaR or Value at Risk
A quantitative measure of market risk estimating the potential loss that will not be exceeded in a set time period at a set statistical confidence level.

ViU or Value-in-Use
The present value of the future expected cash flows expected to be derived from an asset or CGU.

Write-downs
After an advance has been identified as impaired and is subject to an impairment provision, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

XVA
The term used to incorporate credit, debit and funding valuation adjustments to the fair value of derivative financial instruments. See 'CVA', 'DVA' and 'FVA'.