Standard Chartered Bank
Reference Number ZC18
Directors' Report and Financial Statements
31 December 2018

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

Standard Chartered Bank
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Our business

Standard Chartered is a leading international banking group.

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

Greater China & North Asia read more on (page 18)
ASEAN & South Asia read more on (page 19)
Africa & Middle East read more on (page 20)
Europe & Americas read more on (page 21)

About this report

Sustainability reporting is embedded across our Annual Report and Accounts and is also available in consolidated form in our Sustainability Summary at sc.com/sustainability summary

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

For more information please visit sc.com

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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.

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

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

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

Our business

OUR PURPOSE AND PROGRESS

Delivering our strategy

Over the past year we have made substantial progress in executing the turnaround plan laid out in 2015. We have significantly improved profitability, balance sheet quality, conduct and financial returns and we are now evolving our strategy to focus on our next horizon. We gauge our annual progress against a set of Group key performance indicators (KPIs), a selection of which are shown below, as well as client segment KPIs, some of which are shown on pages 14 to 17.

FINANCIAL KPIs

Return on tangible equity

4.6%

100bps

Underlying basis

Read more on (page 23)

Return on tangible equity

1.1%

-50bps

Statutory basis

Read more on (page 23)

Common Equity Tier 1 ratio

15.0%

90bps

Read more on (page 23)

Return on equity

4.1%

Underlying basis

Read more on (page 23)

Return on equity

1.0%

Statutory basis

Read more on (page 23)

Common Equity Tier 1 ratio (2017)

14.1%

OTHER FINANCIAL MEASURES

Operating Income

$15,121m

5%

Underlying basis

$14,940m

3%

Statutory basis

Read more on (page 23)

Profit before tax

$4,107m

26%

Underlying basis

$2,858m

5%

Statutory basis

Read more on (page 23)

NON FINANCIAL KPIs

Diversity and inclusion: women in senior roles

27.7%

+2%

Read more on (page 36)

Sustainability aspirations met or on track

90.9%

+2%

Read more on (page 38)

Our business

Who we are and what we do

Here for good

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

Using our unique diversity

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

How we are organised

Our client segments

Global

Corporate & Institutional Banking

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

Operating income

$6,735m	$6,542m
Underlying basis	Statutory basis

Private Banking

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

Operating income

$516m	$518m
Underlying basis	Statutory basis

Regional

Commercial Banking

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

Operating income

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

Retail Banking

Serving over nine million individuals and small businesses.

Operating income

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

Central & other items (segment)

Operating income

$1,438m	$1,449m
Underlying basis	Statutory basis

Total operating income

$15,121m	$14,940m
Underlying basis	Statutory basis

Read more about our regions' performance on page 14-17

Our business

Where we do it

Supporting good growth

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

Promoting an inclusive culture

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

Our regions

Greater China & North Asia

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

Operating income

$6,060m	$6,054m
Underlying basis	Statutory basis

ASEAN & South Asia

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

Operating income

$3,952m	$3,973m
Underlying basis	Statutory basis

Africa & Middle East

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

Operating income

$2,591m	$2,592m
Underlying basis	Statutory basis

Europe & Americas

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

Operating income

$1,672m	$1,681m
Underlying basis	Statutory basis

Central & other items (region)

Operating income

$846m	$640m
Underlying basis	Statutory basis

Total operating income

$15,121m	$14,940m
Underlying basis	Statutory basis

Read more about our regions' performance on page 18-21

Our business

Global functions

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

Human Resources
Enables business performance through recruiting, developing and engaging colleagues.

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

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

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

Operations
Responsible for all client operations, end-to-end, and ensures the needs of our clients are at the centre of our operational framework. The function's strategy is supported by consistent performance metrics, standards and practices that are aligned to client outcomes.

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

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

Group Internal Audit
An independent function whose primary role is to help the Board and Executive Management to protect the assets, reputation and sustainability of the Group.

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

Market environment

Macroeconomic factors affecting the global landscape

Trends in 2018

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

Outlook for 2019

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

Regional trends and outlooks

Actual and projected growth by country in 2018 and 2019

		2019	2018
Greater China & North Asia	China	6.4%	6.6%
	Hong Kong	2.7%	3.4%
	Korea	2.5%	2.7%
ASEAN & South Asia	India	7.3%	7.2%
	Indonesia	5.1%	5.1%
	Singapore	2.6%	3.3%
Africa & Middle East	Nigeria	3.0%	1.8%
	UAE	3.3%	2.9%
Europe & Americas	UK	1.2%	1.3%
	USA	2.6%	2.9%

Medium- and long-term view

Ongoing global growth is cyclical in nature and therefore vulnerable; structural challenges remain. Productivity growth is weak, especially in developed countries.

Long-term growth in the developed world is constrained by high levels of indebtedness and ageing populations.

There is reason to be more optimistic on long-term growth prospects for emerging markets. Unencumbered by old infrastructure, many of these countries can adopt the latest technologies and the associated infrastructure, boosting productivity growth.

Relatively younger populations in many emerging markets, the rise of the middle class and urbanisation will allow emerging markets to become increasingly more important for the global growth story.

Rising nationalism, anti-globalisation and protectionism are a threat to long-term growth prospects for emerging markets.

Trends and outlook for our four regions

Greater China & North Asia

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

ASEAN & South Asia

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

Africa & Middle East

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

Europe & Americas

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

Business model

A business model built on long-term relationships

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

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

Our resources

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

Human capital

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

85,000 employees

12,000 non-employed workers[1]

46% female

Strong brand

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

International network

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

Local expertise

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

Financial strength

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

Technology

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

What makes us different

Our purpose

To drive commerce and prosperity through our unique diversity – is underpinned by our brand promise, Here for good.

Client focus

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

Robust risk management

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

Distinct proposition

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

Sustainable approach to business

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

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

What we deliver

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

Global

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

Corporate & Institutional Banking

Private Banking

Local

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

Retail Banking

Commercial Banking

Products and services

Retail Products

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

Wealth Management

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

Corporate Finance

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

Transaction Banking

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

Financial Markets

- → Investment
- → Risk management
- → Debt capital markets

Financial performance

Income

- → Net interest income
- → Fee income
- → Trading income

Profits

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

Return on tangible equity

Profit generated relative to tangible equity invested

The value we create

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

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

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

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

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

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

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

Our strategy – what we have achieved since 2015

Update on our progress

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

Secure the foundations

Why we have focused on this

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

Progress in 2018

CET 1 ratio
15.0%
(2015: 11.7%)

Invest and innovate

Why we have focused on this

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

Progress in 2018

Retail Banking digital adoption
49.4%
(2015: 35.8%)

Our strategy – the next three years

Taking Standard Chartered to the next level

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

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

How we measure progress

Financial KPIs

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

Non-financial KPIs

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

Our strategic priorities

1. Purpose and people

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

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

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

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

2. Deliver our network

Leverage our unique footprint: Our unique network is a long-term source of growth and sustainably higher returns. We will continue to deepen relationships with our clients to fully realise the revenue potential of our network. We are sharpening our client focus to drive growth momentum and improve returns. We will place a particular focus on multinational corporates operating extensively in Asia, Africa and the Middle East. We will also increase our focus on investors and financial institutions that are seeking emerging market solutions.

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

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

3. Grow our affluent business

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

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

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

4. Optimise low-returning markets

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

Improve returns in markets where we are an international bank with trusted local capabilities: In markets where we can utilise our local and international capabilities, we will aim to improve returns through our sharpened participation in Corporate & Institutional Banking and selectively in Commercial Banking and/or Retail Banking. In particular, we will focus on optimising the performance of four high potential markets, namely India, Indonesia, Korea and the UAE, with targeted action plans and strong execution discipline.

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

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

5. Improve productivity

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

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

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

6. Transform and disrupt with digital

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

Consolidate strong position with corporate clients: We have been leading disruptive innovations in corporate banking. In 2018 we launched cross-border remittance services with Ant Financial, and started the first blockchain-based smart guarantees service in the trade finance industry. We will continue to invest in cutting edge digital tools and new corporate banking models, with a particular focus on blockchain and distributed ledger technology, platforms and ecosystems, as well as artificial intelligence and machine learning.

Client segment reviews

Corporate & Institutional Banking

Profit before taxation

$2,067m
underlying basis

$1,793m
statutory basis

Segment overview

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

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

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

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

Strategic priorities

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

Progress

- Completed on-boarding of over 100 new OECD clients, and continued to deepen relationships with existing clients
- More closely aligned the Corporate & Institutional Banking and Commercial Banking segments, generating synergies across deal origination and capital allocation
- Our momentum in developing and connecting our clients' ecosystems continues with over 81 buyers[1] (2017: 43) and 2,625 suppliers[1] (2017: 2,099) on-boarded
- Improved balance sheet quality, with investment-grade clients now representing 63 per cent of customer loans and advances (2017: 57 per cent) and high quality operating account balances improving to 49 per cent of Transaction Banking customer balances (2017: 48 per cent)
- Co-founded the Trade Information Network which aims to be the first inclusive global multi-bank, multi-corporate network in trade finance. The network will provide clients and participants with a standardised platform driving improved financing optionality, pricing transparency and efficiency

Performance highlights

- Underlying profit before taxation of $2,067 million was up 58 per cent year-on-year primarily driven by higher income and lower credit impairment
- Underlying income of $6,735 million was up 6 per cent year-on-year primarily driven by Cash Management and Financial Markets income which partially offset margin compression in Corporate Finance and Trade Finance. Good balance sheet momentum with loans and advances to customers up 11 per cent year-on-year

Note 1: Buyers: CIB clients / Suppliers: CIB clients' network of buyers/suppliers, end-customers and service providers

Client segment reviews

Retail Banking

Profit before taxation

$1,033m
underlying basis

$965m
statutory basis

Segment overview

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

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

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

Strategic priorities

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

Progress

- Increased the share of income from Priority clients from 45 per cent in 2017 to 47 per cent as a result of strong Wealth Management and Deposit income growth and increasing client numbers
- Launched the first digital-only bank in Côte d'Ivoire with a plan to roll out across other markets in the Africa & Middle East region and develop stand-alone digital banking propositions in key markets in Asia
- Launched real time on-boarding in India, enabling straight-through current and savings account opening and more efficient Credit Cards and Personal Loan applications with significantly improved customer experience
- Launched Premium Banking in eight markets
- A further improvement in digital adoption, with 49 per cent of clients now actively using online or mobile banking compared to 45 per cent in 2017

Performance highlights

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

Client segment reviews

Commercial Banking

Profit before taxation

$224m
underlying basis

$212m
statutory basis

Segment overview

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

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

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

Strategic priorities

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

Progress

- On-boarded over 6,400 new clients in 2018, of which 19 per cent came from our clients' international and domestic networks of buyers and suppliers
- Increased share of income from cash and FX products to 44 per cent (up from 39 per cent in 2017)
- Strengthened foundations in credit risk management and improved asset quality. However, gross credit impairments remain elevated, partially offset by recoveries
- Increased Straight2Bank utilisation by Commercial Banking active clients from 52 per cent in 2017 to 58 per cent in 2018
- Rolled out new digital platform to empower frontline staff with client analytics and data-driven insights into our clients' needs

Performance highlights

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

Client segment reviews

Private Banking

Loss before taxation

$(14)m
underlying basis

$(38)m
statutory basis

Segment overview

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

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

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

Strategic priorities

- Leverage the significant wealth creation and wealth transfers taking place in our markets to achieve greater scale in the business
- Make it easier for clients to access products and services across the Group
- Improve clients' experience and grow the share of our clients' assets under management by enhancing our advisory proposition and reducing the turnaround time of the investment process
- Implement a rigorous controls enhancement plan to balance growth and controls

Progress

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

Performance highlights

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

Regional reviews

Greater China & North Asia

Profit before taxation

$2,279m
underlying basis

$2,173m
statutory basis

Region overview

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

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

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

Strategic priorities

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

Progress

- We have been active in the opening of China's capital markets, helping overseas investors do business through channels such as Bond Connect, Stock Connect and the Qualified Domestic Institutional Investor initiative
- Good progress in Retail Banking in Hong Kong. We attracted more than 51,000 new Priority clients during the year and increased our active qualified Priority clients by 11 per cent
- In August we applied for a virtual bank licence in Hong Kong and have been working to develop a strong platform and client proposition
- We have delivered a small profit in Retail Banking Korea and refreshed the strategic agenda in Retail Banking China where performance remained broadly flat

Performance highlights

- Underlying profit before taxation of $2,279 million was 22 per cent higher year-on-year with income growth and lower credit impairment partially offset by increased expenses as we continued to invest
- Underlying income of $6,060 million was 10 per cent higher year-on-year, with broad-based growth across all markets and client segments particularly in Hong Kong and China.
- Strong balance sheet momentum was sustained with loans and advances to customers up 3 per cent and customer accounts up 6 per cent year-on-year

Regional reviews

ASEAN & South Asia

Profit before taxation

$976m
underlying basis

$1,081m
statutory basis

Region overview

The Group has a long-standing and deep franchise across the ASEAN & South Asia region. We are the only international bank with a presence in all 10 ASEAN countries and have meaningful operations across many key South Asian markets - which is a key component of our international offering to corporate and institutional clients. The two markets in the region contributing the highest income are Singapore and India, where we have deep-rooted presence for more than160 years.

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

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

Strategic priorities

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

Progress

- Eight out of 12 markets grew in both income and operating profit, reflecting the actions taken to deliver broad-based growth
- Delivered strong growth in targeted client segments – we added 10,000 Priority Banking clients, 2,000 Commercial Banking clients; Global Subsidiary and Priority Banking income grew strongly
- Shift to capital-lite business making progress – Retail Banking and Transaction Banking current accounts and savings accounts (CASA) income grew double-digit and risk-weighted assets reduced by 9 per cent. As a result, over 50 per cent of our income was from capital-lite products
- Launched market-leading digital capabilities to drive a better client experience, including real-time on-boarding in India and Retail Banking digital journeys in Singapore, India and Malaysia

Performance highlights

- Underlying profit before taxation almost doubled year-on-year to $976 million, underpinned by 4 per cent income growth, costs up 2 per cent and 51 per cent lower credit impairments from improved credit quality and recoveries
- Underlying income of $3,952 million is 4 per cent higher year-on-year, with income growth in Retail Banking, Corporate & Institutional Banking and Commercial Banking offsetting an income decline in Private Banking which was impacted by slower market activity
- Customer deposits were up 2 per cent, customer loans and advances declined 1 per cent year-on-year mainly in mortgages

Regional reviews

Africa & Middle East

Profit before taxation

$525m
underlying basis

$425m
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 more sub-Saharan African markets than any other international banking group.

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

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

Strategic priorities

- Continue to provide best-in-class structuring and financing solutions and drive origination through client initiatives
- Invest in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets; continue with our retail transformation agenda to recalibrate our network and streamline structures
- De-risk and improve the quality of income with continuous focus on return enhancements.

Progress

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

Performance highlights

- Underlying profit before taxation of $525 million was down 17 per cent year-on-year driven by lower income partially offset by credit impairment with expenses largely flat. Good performance in East Africa and Saudi Arabia with underperformance in West Africa, Southern Africa and the UAE
- Underlying income of $2,591 million was down 6 per cent year-on-year due to macro and geopolitical headwinds and material currency devaluation in some of our markets. Middle East, North Africa and Pakistan were 6 per cent lower and Africa was down 5 per cent. Transaction Banking and Wealth Management income was largely flat, Financial Markets income declined due to lower volatility while Corporate Finance and Retail products reported an income decline year-on-year with lower margins more than offsetting volume growth
- Credit impairment was down $38 million year-on-year driven by improved risk profile through tighter underwriting standards
- Loans and advances to customers were up 1 per cent year-on-year and customer accounts declined 6 per cent

Regional reviews

Europe & Americas

Profit before taxation

$163m
underlying basis

$108m
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. We offer our corporate and institutional clients rich network and product capabilities through our knowledge of working in and between Asia, Africa and the Middle East. We also have a Private Banking business, focused on serving clients with linkages to our Asia, Africa and Middle East footprint markets.

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

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

Strategic priorities

- Continue to attract new international corporate and financial institutional clients and deepen relationships with existing and new clients by banking them across more markets in our network
- Scale up our continental European business
- Enhance capital efficiency, maintain strong risk oversight and further improve the quality of our funding base
- Grow our Private Banking franchise and assets under management in London and Jersey
- Leverage our network capabilities as new e-commerce based industries grow internationally

Progress

- Good progress in improving the share of business from targeted multinational corporate clients, with income up 48 per cent and 9 per cent from 'New 90' OECD and 'Next 100' client initiatives respectively
- Continued to diversify and selectively expand our client base in the region
- Delivered high returns through improved quality of income combined with risk-weighted assets optimisation.
- Continued to improve the quality of our funding base by increasing the proportion of operating account liabilities relative to our balance sheet size
- Set up a new subsidiary in Frankfurt to continue to serve our European client base whether or not the UK leaves the EU

Performance highlights

- Underlying profit before taxation of $163 million, more than doubled year-on-year from continued growth in income and lower credit impairments driven by an improvement in underlying credit quality. Expenses grew 3 per cent as investments in platforms and people were offset by lower regulatory expense
- Underlying income of $1,672 million was up 4 per cent year-on-year driven by strong momentum in Transaction Banking and Private Banking
- Income growth was broad-based with a number of markets growing at a double-digit rate and income generated by our clients, but booked elsewhere in the network, increased 8 per cent in 2018
- Loans and advances to customers were up 22 per cent year-on-year and customer accounts grew 16 per cent

Financial review

Significant improvement on a fundamentally more resilient platform

Performance summary

The Group grew income in 2018 at a faster rate than costs while maintaining discipline over the quality of new asset origination. Together with lower risk-weighted assets, this has resulted in another significant improvement in returns on a fundamentally more resilient platform. All commentary that follows is on an underlying basis unless otherwise stated and a reconciliation to statutory is provided in Note 2 on page 196. Comparisons are made to the full-year 2017 unless otherwise stated.

- → Profit before tax of $2.8 billion was 5 per cent higher. Statutory profit before tax, which is stated after regulatory provisions, restructuring and other items of $1.3 billion, rose 5 per cent
- → Operating income of $15.1 billion grew 5 per cent. A strong performance in Transaction Banking, good growth in Retail Products and slightly lower growth in Wealth Management and Financial Markets more than offset lower income in Corporate Finance
- → The Group's net interest margin increased to 1.62 per cent and remained stable in the fourth quarter
- → Other operating expenses excluding the UK bank levy of $10.1 billion were up 3 per cent. Continued discipline on costs has enabled significant investment into improving the business with a greater proportion targeted at technology-enabled productivity improvements
- → Credit impairment of $740 million was lower by 38 per cent reflecting the focus on higher quality origination within tightened risk tolerances
- → Other impairment of $131 million related primarily to transport leasing assets. The Group has taken the decision to discontinue its ship leasing business and future profit and losses associated with the related portfolio will be reported as restructuring
- → Profit from associates and joint ventures of $238 million was 13 per cent higher following a return to profitability of the Group's joint venture in Indonesia
- → The Group has made a $900 million provision in respect of legacy financial crime control matters and FX trading issues
- → Restructuring charges of $349 million relate primarily to Principal Finance and included charges in the fourth quarter following the announced sale of the majority of the Group's related investment portfolios
- → The underlying effective tax rate excluding the impact of tax on regulatory provisions, restructuring and other items was 32.7 per cent compared to 28.9 per cent in 2017.
- → The Group's Common Equity Tier 1 (CET1) ratio increased 90 basis points to 15.0 per cent, just above the Group's updated target range of 13-14 per cent

The Group's return on equity improved 90 basis points to 4.1 per cent and its return on tangible equity improved 100 basis points to 4.6 per cent

	31.12.18 $million	31.12.17 $million	Better/(worse) %
Net Interest income	**9,086**	8,335	9
Other income	**6,035**	6,009	-
Operating income	**15,121**	14,344	5
Operating expenses excluding the UK bank levy	**(10,057)**	(9,774)	(3)
UK bank levy	**(324)**	(220)	(47)
Operating expenses	**(10,381)**	(9,994)	(4)
Operating profit before impairment and taxation	**4,740**	4,350	9
Credit impairment	**(740)**	(1,200)	38
Other impairment	**(131)**	(99)	(32)
Profit from associates and joint ventures	**238**	210	13
Underlying profit before taxation	**4,107**	3,261	26
Provision for regulatory matters	**(900)**	-	n.m.
Restructuring and other items	**(349)**	(549)	36
Statutory profit before taxation	**2,858**	2,712	5
Taxation	**(1,447)**	(1,128)	(28)
Profit for the year	**1,411**	1,584	(11)

Net interest margin (%)	**1.62**	1.57
Underlying return on equity (%)	**4.1**	3.2
Underlying return on tangible equity (%)	**4.6**	3.6
Statutory return on equity (%)	**1.0**	1.4
Statutory return on tangible equity (%)	**1.1**	1.6
Common Equity Tier 1 (%)	**15.0**	14.1

Income

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

Net interest income grew 9 per cent with sustained momentum in Cash Management and Deposits more than offsetting the impact of asset margin compression. Wealth Management income grew 3 per cent but weaker investor sentiment in the fourth quarter resulted in 14 per cent lower income compared to the same period in 2017.

- → Corporate & Institutional Banking income was 6 per cent higher after a resilient fourth quarter performance, including in Financial Markets. The focus on high quality operating accounts and the benefit of rising global interest rates increased the income from Cash Management and Custody that more than offset the impact of asset margin compression in Corporate Finance and Trade Finance.
- → Retail Banking income was up 4 per cent driven by strong performances in Greater China & North Asia and ASEAN & South Asia, that together offset lower income in Africa & Middle East. Although income was slightly lower in the fourth quarter the business continues to increase the proportion of income it generates from serving affluent and emerging affluent clients
- → Commercial Banking income was up 4 per cent. Income in Greater China & North Asia and ASEAN & South Asia grew and respectively. Together this offset 6 per cent lower income from Africa & Middle East
- → Private Banking attracted $0.7 billion net new money and income was 3 per cent higher with growth across all products
- → Income in Central & other items (segment) was 10 per cent higher as Treasury income benefited from rises in global interest rates
- → Income from Greater China & North Asia increased 9 per cent with broad-based improvement across all markets and client segments, particularly in Hong Kong and China
- → Income from ASEAN & South Asia was 3 per cent higher with growth in most markets particularly in Singapore where income was up 8 per cent. Excluding one-off Treasury gains from the prior period income in India was broadly stable
- → Income from Africa & Middle East was 5 per cent lower but broadly stable on a constant currency basis as macroeconomic conditions in the region remained challenging
- → Europe & Americas income grew 5 per cent with 9 per cent higher income in the UK, where a greater proportion is derived from corporate clients, more than offsetting 1 per cent lower income in the US.

Expenses

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

productivity. As a result it is expected that expenses between 2019 and 2021 will continue to grow below the rate of inflation with a target to deliver significantly positive jaws.

Impairment

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

Other impairment of $131 million related primarily to transport leasing assets.

Profit from associates and joint ventures

Profit from associates and joint ventures of $238 million reflected a return to underlying profitability of the Group's joint venture in Indonesia.

Overall

As a result, profit before tax of $4.1 billion was 26 per cent higher and statutory profit before tax of $2.9 billion which is stated after regulatory provisions, restructuring and other items was 5 per cent higher.

	31.12.18 $million	31.12.17 $million	Better/(worse) %
Corporate & Institutional Banking	**2,067**	1,304	59
Retail Banking	**1,033**	873	18
Commercial Banking	**224**	282	(21)
Private Banking	**(14)**	(1)	n.m.
Central & other items	**797**	803	(1)
Underlying profit before taxation	**4,107**	3,261	26

	31.12.18 $million	31.12.17 $million	Better/(worse) %
Greater China & North Asia	**2,279**	1,886	21
ASEAN & South Asia	**976**	498	96
Africa & Middle East	**525**	649	(19)
Europe & Americas	**163**	93	75
Central & other items	**164**	135	21
Underlying profit before taxation	**4,107**	3,261	26

Net interest margin

The Group's net interest margin is calculated on a statutory basis. Statutory net interest income grew 9 per cent to $9.1 billion and the Group's net interest margin increased 5 basis points to 1.62 per cent. Rises in global interest rates have benefited asset yields and interest-earning assets have grown faster than interest-bearing liabilities. Together this offset an increase in the rate paid on liabilities particularly in markets like India and China where the Group has a higher proportion of more rate-sensitive customer deposits.

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

The Group maintains a large proportion of less rate-sensitive current accounts and savings deposits that since 2017 have increased 139 basis points to 32 per cent of total average liabilities.

The Group is executing a number of operational initiatives and planned legal entity changes to further improve the mix of liabilities and expects to continue to benefit from rises in global interest rates as monetary policy normalises, albeit at a reducing rate as the rate-hike cycle matures.

	31.12.18 $million	31.12.17 $million
Statutory net interest income	**9,064**	8,308
Average interest earning assets	**558,178**	527,642
Average interest bearing liabilities	**454,006**	447,798
Gross yield (%)	**3.10**	2.74
Rate paid (%)	**1.81**	1.37
Net yield (%)	**1.29**	1.37
Net interest margin (%)[1]	**1.62**	1.57

1 Statutory net interest income divided by average interest earning assets

Credit quality

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

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

IFRS 9 became effective from 1 January 2018 and the Group has not restated comparative information. Accordingly, comparisons are made to balances as at 1 January 2018. This primarily impacts credit impairment, which is determined using an expected credit loss approach under IFRS 9 compared with an incurred loss approach under IAS 39.

Ongoing business

Gross credit-impaired (stage 3) loans in the ongoing business of $5.6 billion were $892 million lower. A lower level of new inflows, particularly in Corporate & Institutional Banking, as well as debt sales, write-offs and repayments more than offset higher inflows of Commercial Banking exposures that had been on early alert for some time. The cover ratio of stage 3 loans in the ongoing business remained stable both before and after collateral, credit grade 12 accounts were broadly unchanged at $1.4 billion and early alerts were down $3.9 billion or 45 per cent.

Liquidation portfolio

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

By client segment

	31.12.18			01.01.18		
	Ongoing business	Liquidation portfolio	Total	Ongoing business	Liquidation portfolio	Total
	$million	$million	$million	$million	$million	$million
Gross loans and advances to customers[1]	260,100	1,361	261,461	255,589	2,248	257,837
Of which stage 1 and 2	254,449	86	254,535	249,046	22	249,068
Of which stage 3	5,651	1,275	6,926	6,543	2,226	8,769
Expected credit loss provisions	(3,933)	(966)	(4,899)	(4,704)	(1,626)	(6,330)
Of which stage 1 and 2	(838)	(4)	(842)	(1,048)	-	(1,048)
Of which stage 3	(3,095)	(962)	(4,057)	(3,656)	(1,626)	(5,282)
Net loans and advances to customers	256,167	395	256,562	250,885	622	251,507
Of which stage 1 and 2	253,611	82	253,693	247,998	22	248,020
Of which stage 3	2,556	313	2,869	2,887	600	3,487
Cover ratio of stage 3 before collateral (%)	55	75	59	56	73	60
Cover ratio of stage 3 after collateral (%)	78	93	81	78	88	81
Credit grade 12 accounts ($million)	1,437	86	1,523	1,483	22	1,505
Early alerts ($million)	4,767	-	4,767	8,668	-	8,668
Investment grade corporate exposures (%)	62	-	62	57	-	57

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

Restructuring and other items

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing performance period-by period.

The Group has made a provision of $900 million for potential penalties relating to previously disclosed matters, namely, the US investigation into historical violation of sanctions laws and regulations, the decision notice from the Financial Conduct Authority concerning the Group's historical financial crime controls, and investigations related to foreign exchange trading issues. Further details of these and other legal and regulatory matters can be found in Note 25 on page 277.

Restructuring charges of $355 million related primarily to Principal Finance and included a charge following the announced agreement to sell the majority of the business's related investment portfolio. The total restructuring charge arising from the Group's planned actions announced in 2015 totalled $3.4 billion.

As well as the fourth quarter restructuring charge related to Principal Finance the Group has as a result of the refreshed strategic priorities announced today incurred an expense to reduce ongoing costs and an other impairment related to the decision to

discontinue the ship leasing business. The Group expects to incur further charges over the next three years in order to execute the refreshed priorities.

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

	31.12.18 $million			31.12.17 $million	
	Provision for regulatory matters	**Restructuring**	**Other items**	Restructuring	Other items
Operating income	**-**	**(187)**	**6**	51	78
Operating expenses	**(900)**	**(222)**	**-**	(265)	-
Credit impairment	**-**	**87**	**-**	(141)	-
Other impairment	**-**	**(33)**	**-**	(10)	(320)
Profit from associates and joint ventures	**-**	**-**	**-**	58	-
Profit/(loss) before taxation	**(900)**	**(355)**	**6**	(307)	(242)

Balance sheet and liquidity

The Group's balance sheet is strong, highly liquid and diversified. Loans and advances to customers were up 2 per cent to $257 billion with broad-based growth across a range of products.

Customer accounts were up 6 per cent as the Group continued to focus on improving the quality and mix of its liabilities. The advances-to-deposits ratio decreased slightly to 64.9 per cent.

As a result of classification and measurement of financial assets under IFRS 9, $45 billion of reverse repurchase agreement assets and $38 billion of repurchase agreement liabilities were on 1 January 2018 reclassified as financial assets held at fair value through profit or loss. Further details are provided in Note 12 to the financial statements.

	31.12.18	01.01.18	31.12.17	31.12.18 vs 01.01.18 Increase / (decrease)	31.12.18 vs 31.12.17 Increase / (decrease)
	$million	$million	$million	%	%
Assets					
Loans and advances to banks	**61,411**	62,283	78,178	(1)	(21)
Loans and advances to customers	**256,562**	251,507	282,286	2	(9)
Other assets	**371,921**	349,230	303,288	6	23
Total assets	**689,894**	663,020	663,752	4	4
Liabilities					
Deposits by banks	**29,715**	30,945	30,945	(4)	(4)
Customer accounts	**391,013**	370,509	370,509	6	6
Other liabilities	**216,335**	208,143	208,019	4	4
Total liabilities	**637,063**	609,597	609,473	5	5
Equity	**52,831**	53,423	54,279	(1)	(3)
Total equity and liabilities	**689,894**	663,020	663,752	4	4
Advances-to-deposits ratio[1]	**64.9%**		67%		
Liquidity coverage ratio	**154%**		146%		

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

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

Capital base and ratios

The Group's capital and liquidity positions are strong with all metrics remaining above regulatory thresholds. The CET1 ratio of 15.0 per cent was 90 basis points higher, notwithstanding a significant regulatory provision, driven by lower RWA.

The Group invited holders of a number of GBP-denominated subordinated and senior securities to tender their notes for repurchase by the Group. As a result of this liability management exercise and other movements, Tier 2 capital was lower by $3.2 billion.

	31.12.18	31.12.17
	$million	$million
Common Equity Tier 1 capital	**38,553**	39,731
Additional Tier 1 capital (AT1) instruments	**6,480**	6,480
Tier 1 capital	**45,033**	46,211
Tier 2 capital	**10,431**	13,676
Total capital	**55,464**	59,887
Common Equity Tier 1 capital ratio end point (%)	**15.0**	14.1
Total capital ratio transitional (%)	**21.5**	21.2
Leverage ratio (%)	**5.4**	5.9

Summary and outlook

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

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

This franchise is capable of much more. The refreshed strategic priorities we have laid out today that are summarised on page 11 will reinforce our positions of strength and differentiation that are driving profitable growth while also addressing underperforming businesses and improving structural efficiency. We are investing significantly more than we were in 2015 and an increased proportion is targeted at technology-enabled productivity improvements. Our balance sheet is fundamentally more resilient and the conduct and culture across the Group has improved markedly.

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

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

Risk review

Embracing innovation
across the risk landscape

Standard Chartered Bank ("the Group") is an integral part of the Standard Chartered PLC Group and as such works with and relies primarily on Standard Chartered PLC governance processes and procedures. Executive responsibility for the risk management of the Group rests with the Standard Chartered Bank Court (the 'Court'). The Court comprises the executive directors of Standard Chartered Bank. This responsibility sits within, and is consistent with the overall risk framework of the Standard Chartered PLC, the ultimate parent undertaking, with the ultimate responsibility resting with the Standard Chartered PLC Board. The Standard Chartered PLC Board, supported by six Board-level committees oversee and manage the risks of the Group, Company and Standard Chartered PLC Group collectively. There is no separate risk appetite for the Group. The risk management approach described across the risk review is therefore written in the context of Standard Chartered PLC and is consistent with the risk management practices of the Group.

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

The Group remains well diversified across client segments, geographies and industry sectors, and maintains a strong liquidity and capital position. We are well positioned to identify and take new opportunities, while remaining vigilant for any new threats that may arise and areas that need improvement. We take a proactive approach to risk, with one example being our decision to place stricter standards on industries that have a high potential environmental or social impact in line with the launch of our updated Position Statements, which set out our approach to managing environmental, social and governance risks.

More information about the Group's Sustainability philosophy can be found at sc.com/sustainability/philosophy

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

An update on our key risk priorities

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

Strengthen the Group's risk culture – Embedding a healthy risk culture continues to be a core objective across all areas of the Group. It underpins an enterprise-level ability to identify and assess, openly discuss, and take prompt action regarding current and future risks. Our Enterprise Risk Management Framework sets out the guiding principles for our people, enabling us to have integrated and holistic risk conversations across all our Principal Risks. We continue to assess strategic initiatives and growth opportunities from both the financial and non-financial risk perspective, and our improved approach to effectiveness reviews facilitates challenge, learning from self-identified issues or weaknesses, and making improvements that are lasting and sustainable.

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

Manage financial crime risks – Financial crime hinders economic progress and harms communities, and we are committed to fighting it. We have made substantial progress in building an effective and sustainable financial crime compliance programme, improving our controls, systems and processes. Our success in this regard was recognised at the end of 2018, when the monitorship ordered by the New York State Department of Financial Services was permitted to expire as part of Mark Smith Group Chief Risk Officer Risk review and Capital review Strategic Report Supplementary information Financial statements Directors' report 39 a Second Supplemental Consent Order was replaced by an independent consultant. The Order acknowledges that we had demonstrated our commitment to complying with state and federal anti-money laundering and sanctions laws and regulations and had substantially remediated and enhanced our anti-money laundering compliance programme. We continue to advocate for more modern ways of fighting financial crime, maintaining our involvement in public-private information sharing partnerships in the UK, US, Singapore and Hong Kong, and pursuing innovation by partnering with RegTech firms in the areas of surveillance and investigations. In addition, we are proud to support the United for Wildlife Financial Taskforce (of which our Group

General Counsel, David Fein is Vice Chair), an initiative dedicated to increasing awareness of, and improving, how the financial industry can combat illegal wildlife trafficking. Initiatives like this are in line with our Sustainability Philosophy and target those at the heart of financial crime from multiple angles. By cutting off their sources of funds, we can help to make the financial system a hostile environment for criminals, while supporting economic development across all of our markets

More information about the Group's commitment to fighting financial crime can be found at sc.com/fightingfinancialcrime

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

More information on our Group Code of Conduct can be found at sc.com/codeofconduct

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

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

Our risk profile and performance in 2018

The Group's portfolios remain strong and well diversified. Our continued focus on high-quality origination within a more granular Risk Appetite has enabled sustained improvements in the credit quality of our corporate portfolios, with the percentage of net exposure to investment grade clients increasing to 62 per cent (31 December 2017: 57 per cent) of total corporate net exposure. The Group's client exposures also remain predominantly short tenor. Despite this improvement we remain alert to broader geopolitical uncertainties that continue to affect sentiment. An example is Brexit, although the Group's credit portfolio should not be materially impacted by the UK's withdrawal from the European Union.

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

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

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

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

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

The Group's Common Equity Tier 1 ratio of 15.0 per cent was 90 basis points higher than 2017 mainly due to a lower level of risk-weighted assets. This was driven by a reduction in credit risk-weighted assets.

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

Further details of the 2018 risk performance are set out in the Risk update (pages 50 to 52) and the Risk profile section (pages 53 to 173)

An update to our risk management approach

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

The Enterprise Risk Management Framework, launched in 2018, sets out a refreshed risk culture and a clear control framework with sharper delineation of responsibilities between the three lines of defence. Further details on the Group's Three Lines of Defence model are set out in the Enterprise Risk Management Framework section (page 142). We have also formalised the links between our strategy, Risk Appetite and stress testing to facilitate more dynamic risk identification and the integration of risk considerations into strategic decision-making.

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

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

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

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

Over the course of 2019, the Group aims to further strengthen its risk management practices. More details can be found in the Enterprise Risk Management Framework section (pages 141 to 144).

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

Further details on Principal Risks are set out in the Risk management approach (pages 144 to 173)

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

Further details on Principal Risks are set out in the Risk management approach (pages 144 to 173)

Principal uncertainties

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

Principal uncertainties	Risk trend since 2017	How these are mitigated/next steps
Geopolitical events, in particular: extended trade tensions, the Middle East political situation and Brexit implications	Risk heightened in 2018	We monitor geopolitical events continuously to assess horizon risks and, where appropriate, manage the impact to the Group and our clients We conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible geopolitical events
Macroeconomic conditions, in particular: China slowdown and impact to regional economies with close ties to China, and Emerging Market risks	Risk heightened in 2018	We have a Business Risk Horizon framework that provides a 12- to 18-month forward looking view of the economic, business and credit conditions across our key markets, enabling us to take proactive action We monitor economic trends and conduct stress tests and portfolio reviews at a Group, country and business level to assess the impact of extreme but plausible events We continue to adjust our outlook and ratings based on political events and volatility
Climate-related physical risks and transition risks[1]	Risk heightened in 2018	We have participated in the development of pilot scenario analysis tools for physical and transition risks for energy utilities clients and other high-emitting sectors. We are also involved in a wide range of collaborative initiatives related to climate risk management We have reduced our risk appetite to carbon-intensive sectors by introducing technical standards for coal-fired power plants, and restrictions on new coal mining clients and projects. In September 2018, we announced that we would no longer provide financing for new coal-fired power plants anywhere in the world We achieved, two years ahead of schedule, our public target to fund and facilitate $4 billion toward clean technology between 2016 and 2020
Regulatory reviews, investigations and legal proceedings	Risk remained consistent with 2017 levels	We have invested in enhancing systems and controls, and implementing remediation programmes (where relevant) We are cooperating with all relevant ongoing reviews, requests for information and investigations, and we actively manage legal proceedings We continue to train and educate our people on conduct, conflicts of interest, information security and financial crime compliance in order to reduce our exposure to legal and regulatory proceedings
Regulatory changes	Risk remained consistent with 2017 levels	We actively monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model We have established relevant project management programmes to review and improve end-to-end processes in terms of oversight and accountability, transparency, permission and controls, legal entity level limits and training
New technologies and digitisation (including business disruption risk, responsible use of artificial intelligence and obsolescence risk)	Risk heightened in 2018	We monitor emerging trends, opportunities and risks in the technology space which may have implications on the banking sector We are engaged in building our capabilities to ensure we remain relevant and are able to capitalise rapidly on technology trends We continue to make headway in harnessing new technologies, and we are investing in machine learning solutions that rapidly analyse large datasets and fine-tune the accuracy of our financial crime surveillance tools We are actively targeting the reduction of obsolescent/end of support technology following a technology and innovation led approach
Increased data privacy and security risks from strategic and wider use of data	Risk heightened in 2018	We have existing governance and control frameworks for the deployment of new technologies We have designed a programme to manage the risks posed by rapidly evolving cyber security threats We maintain a vigilant watch on legal and regulatory developments in relation to data protection to identify any potential impact to the business

1 Physical risks refer to the risk of increased extreme weather events while transition risks refer to the risk of changes to market dynamics due to governments' response to climate change

Further details on principal uncertainties, including key changes since 2017, are set out in the Risk management approach (pages 167 to 173)

Summary

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

Stakeholders and responsibilities

Our stakeholders

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

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

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

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

Progress is communicated regularly through channels such as sc.com and this report.

Clients

How we serve and engage

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

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

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

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

For more information about our clients, read the Client segment reviews on pages 14 to 17

Regulators & governments

How we serve and engage

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

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

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

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

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

Investors

How we serve and engage

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

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

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

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

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

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

Suppliers

How we serve and engage

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

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

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

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

Download our Supplier Charter at sc.com/suppliercharter

Colleagues

How we serve and engage

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

Purpose-led cultural change

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

Engaging our colleagues

More than 73,000 (90 per cent) of our people took part in our annual engagement survey. When asked 'How does working for the Bank make you feel?', emotions such as pride, happiness and optimism ranked highly, while colleagues expressed some frustration with work processes. Engagement levels are at 67 per cent, (in-line with 2017 results, and up from 2016) with 96 per cent of respondents committed to doing what is required to help us succeed. Follow-up actions include simplifying company processes, promoting innovative practices and encouraging colleagues to identify small changes in our work processes that can make a big difference.

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

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

Our commitment to wellbeing

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

Developing our colleagues

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

Female representation

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

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

Senior management (Bands 1-4)	Management Team	All employees
27.7% (2017: 25.7%)	35.7% (2017: 42.9%)	45.9% (2017: 45.8%)

Group KPI: Employee engagement. Employee Net Promoter Score (eNPS)

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

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

11.3% + 5.0% (2017: 5.9%)

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

Group KPI: Diversity and inclusion. Gender diversity in senior roles

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

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

27.7% +2.0% (2017: 25.7%)

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

Learning as a lever for culture, capability and performance

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

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

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

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

Embracing diversity to achieve our purpose

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

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

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

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

An Integration Group has also been formed to implement D&I best practice through employee and business processes, including capturing diversity candidate data (where legally permissible), ensuring diverse candidate shortlists, creating diversity measurements for senior management succession plans and building a sustainable supply chain management strategy and roadmap.

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

Gender equality

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

We have seen a positive trend in female representation in our senior leadership roles, increasing from 25.7 per cent in 2017 to 27.7 per cent at the end of 2018. We are proud of the progress that we have made, but recognise there is more work to do.

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

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

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

Gender pay gap

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

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

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

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

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

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

Download our gender pay gap report at sc.com/gender pay gap

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

Society

How we serve and engage

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

Inclusive leadership

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

Sustainable and responsible business

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

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

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

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

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

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

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

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

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

Group KPI: Sustainability. Delivering Sustainability aspirations

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

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

90.9% +2.0% (2017: 88.6%)

Read our Sustainability Philosophy at sc.com/sustainabilityphilosophy

Download our Sustainability Summary at sc.com/sustainabilitysummary

Download the East Africa Impact Report at sc.com/sustainability

Contributing to sustainable economic growth

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

- Managing environmental and social risks

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

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

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

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

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

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

- Assessing climate change

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

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

Read our Position Statements at sc.com/positionstatements

Being a responsible company

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

- Promoting good conduct

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

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

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

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

Colleagues who recommitted to the Group Code of Conduct in 2018

99.6%

- Speaking Up

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

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

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

We are committed to providing a safe environment for colleagues to report concerns. Trust and confidence in the Speaking Up programme has grown. This is evidenced by an increase in the number of concerns being raised. It is supported by the results from

our My Voice employee survey, in which 91 per cent of colleagues responded favourably to the statement; 'I feel comfortable to Speak Up if I see a violation of the Bank's policies, valued behaviours and Code of Conduct'.

Download our Group Code of Conduct at sc.com/codeofconduct and visit sc.com/speakingup to find more about how our Speaking Up programme works

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

			Closed[3]	
year	Total cases raised[1]	In scope[2]	Substantiated[4]	Unsubstantiated
2018	1,469	606	318	290
2017	1,183	460	194	273

1 Total concerns raised within the reporting year

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

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

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

- Fighting financial crime

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

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

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

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

Employees who completed anti-money laundering training in 2018

99.9%

Employees who completed anti-bribery training in 2018

99.9%

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.

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

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

Read our 2018 Modern Slavery Statement at sc.com/modernslavery

- Managing our environmental footprint

We aim to reduce the direct environmental impact of our operations, namely our branches and offices, which use paper, water and energy, and generate greenhouse gas emissions and produce non-hazardous waste. We do not produce material quantities of hazardous waste, and therefore do not measure or report on the production or handling of hazardous waste. In 2008, we set long-term targets to reduce energy and water use by 2019. This year, we achieved our energy target for properties in temperate climates one year early. Overall, we reduced energy consumption by 45 per cent between 2008 and 2018 through measures including LED lighting, effective space management and more efficient use of fans, chillers and boilers.

We are committed to managing water responsibly and reduced water use by 57 per cent between 2008 and 2018. We achieved this through a range of initiatives including ultra-low flow water devices. Although we have made good progress, we are currently not on

track to achieve our target of 72 per cent reduction by 2019. Recognising that achieving the last part of the target will be the most challenging, we are working across our properties to find innovative ways to achieve the target. We did not have any issues sourcing water that is fit for purpose in 2018.

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

Annual energy use of our property (kWh/m^2/year)

	Tropical climate[1]	Temperate climate[1]
2008	355	398
2018	239	257
2019 (target)	230	275
	33% ↓ since 2008	35% ↓ since 2008

1. Tropical energy usage relates to cooling, temperate energy usage relates to both heating and cooling

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

Serious about carbon reduction

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

Read the methodology for measuring our environmental performance at sc.com/ environmentcriteria

Read the independent assurance for our energy and greenhouse gases emissions, at sc.com/ environmentalassurance

Investing in communities

We aim to create more inclusive economies by sharing our skills and expertise, and developing community programmes that transform lives. In 2018, we invested $49.2 million in our communities. In addition, colleagues contributed more than 65,000 volunteering days. Our donations are guided by our Group Sponsorship and Donations Policy. Country teams receive annual training on the policy, which is applied globally.

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

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

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

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

Our community expenditure 2018

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

1. Leverage data relates to the proceeds from staff and other fundraising activity

Non-financial information statement

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

Reporting requirement	Where to read more in this report about our policies and impact (including risks, policy embedding, due diligence and outcomes)	Page
Environmental matters	**Stakeholders and responsibilities > Society**	
	Sustainable and responsible business	38
	Managing environmental and social risks	39
	Managing our environmental footprint	40- 41
	Risk review and capital review	
	Principal uncertainties – climate change	170
	Directors' report	
	Environmental impact of our operations	46
Employees	**Stakeholders and responsibilities > Colleagues**	
	Engaging our colleagues	35- 36
	Our commitment to wellbeing	36
	Developing our colleagues	36
	Learning as a lever for culture, capability and performance	36
	Embracing diversity to achieve our purpose	37
	Gender equality and gender pay gap	37
	Stakeholders and responsibilities > Society	
	Speaking Up	39
	Directors' report	
	Employee policies and engagement	44– 45
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Human rights	**Stakeholders and responsibilities > Suppliers**	
	Suppliers	35
	Stakeholders and responsibilities > Society	
	Respecting human rights	40
Social matters	**Stakeholders and responsibilities > Society**	
	Investing in communities	41
Anti-corruption and anti-bribery	**Stakeholders and responsibilities > Society**	
	Promoting good conduct	39
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	Group Chief Risk Officer's review	
	Directors' report	
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Description of business model	**Business model: A business model built on long-term relationships**	9 – 10
Non-financial KPIs	**Stakeholders and responsibilities**	
	Colleagues	
	Female representation	36
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	Training on anti-bribery, anti-corruption and anti-money laundering	40
	Recommitment to the Code of Conduct	39
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	Sustainability Aspirations achieved or on track[2]	38
	Annual energy use of our properties	41
	Community expenditure	41
	Reach of community programmes	41
Principal risks and uncertainties	**Risk review and capital review**	
	Risk management approach	141
	Principal uncertainties	167

1 Visit sc.com/environmentcriteria for our carbon emissions criteria and sc.com/environmentalassurance for the Carbon Trust's Assurance Statement of our Scope 1 and 2 emissions
2 Performance against our 11 Sustainability Aspirations is reported in our Sustainability Summary available on sc.com

Authority

The strategic report up to page 43 has been issued by order of the Court.

Bill Winters

Director

25 February 2019

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 2018.

Activities

The activities of the Group are banking and providing other financial services. The Financial Review on pages 22 to 27 contains a review of the business during 2018.

Results and dividends

The results for the year are given in the income statement on page 187.

$384 million interim dividend was paid during the year, of which was split between two dividends, $193 million was paid out in the first half of 2018 and $191 million in the second half of 2018 (2017: $nil million) to ordinary shareholders.

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.

Post balance sheet events

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

Directors and their interests

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

Mrs T J Clarke

Mr A N Halford

Mr M Smith

Mr W T Winters

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 2018, except for Mrs Clarke and Mr Smith, are directors of the Company's ultimate holding company, Standard Chartered PLC.

Going concern

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, (I) promote political views or ideologies, (II) fund political causes. In alignment to this, no political donations were made in the year ended 31 December 2018.

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 2018, and remain in force at the date of this report.

Significant agreements

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Areas of operation

The Company operates through branches and subsidiaries in 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.

Employee policies and engagement

We work hard to ensure that our colleagues are kept informed about matters affecting or of interest to them, but more importantly to provide opportunities for feedback and dialogue. We have a clear set of communications mechanisms that are used to inform colleagues of key business activity at a global, regional, business and function level. We continue to evolve and develop our internal

communications following feedback from colleagues. We continue to listen to ensure internal communications remain impactful, meaningful and support the Group's strategy and transformation.

The primary channel for communicating with our colleagues continues to be the Bridge – our business collaboration platform. The Bridge provides global, local, business and function communications and allows our people to collaborate, exchange ideas, feedback, comment, innovate, communicate, and find experts all through one space, wherever they are located.

The Bridge is supported by Group, local and business newsletters, targeted audio calls, videos, success story bulletins, town halls and engagement events including brown bag lunches, leadership events, regional meetings, and focus groups. Business or time-critical information is sent directly to our people's inboxes through a measurable email platform.

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. Across the organisation, team meetings with People Leaders, one-to-one discussions, and management meetings enable our people to discuss and clarify anything they have heard or read and address any questions they may have. The individual performance reviews also provide the opportunity to discuss how individuals, the team and the business area contributed to our overall performance and how any compensation awards relate to this.

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.

Colleagues, past, present and future are able to follow our progress through social networks including the Group's LinkedIn network, Facebook page and Twitter stream. As well as capturing our people's feedback and views through team meetings, two-way communications and day-to-day dialogue, our employee engagement survey has been an important way for us to gather feedback on how our colleagues feel about the organisation, the challenges we are facing and how we can make the Group a better place to work. More information on the engagement survey and its results can be found within the Colleagues section of the Strategic Report.

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 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 acts that protect employees' rights to organise.

In June 2018, we integrated the components of our Group Equal Opportunities, Diversity, Inclusion and Dignity at Work Policy into our Group Code of Conduct. Everyone who works at Standard Chartered is bound by the Code, whether they are full-time, fixed term, a director, a contractor, a subcontractor, a secondee, a temporary employee or a voluntary worker, working in any subcontracted company and in any capacity. The Group Code of Conduct is well understood throughout the Group, supported by significant Group communication, and this is evident through our last My Voice Survey results where 96 per cent of colleagues responded saying that they understood what the Group Code of Conduct meant for them in their role.

Holistically, the Group Code of Conduct reinforces our commitment to providing equality of opportunity and fair treatment in employment. We do not accept unlawful discrimination in our recruitment and employment practices, terms, procedures, processes and decisions on any grounds including but not limited to: sex, gender, nationality, ethnicity, race, colour, native or indigenous origin, disability, age, marital or civil partner status, pregnancy and maternity, sexual orientation, gender identity, expression or reassignment, HIV or AIDS status, parental status, employment status, military and veteran status flexibility of working arrangements, religion, or belief.

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

Recruitment, employment, training, development and promotion decisions are based on existing skills, knowledge and behaviour required to perform the role to the Group's standards. Implied in all terms is the commitment to equal pay for equal work. Employees are rewarded in a way that is free from discrimination. Their potential, conduct and valued behaviours should be considered as set out in the Fair Pay Charter.

The Group aims to be a disability confident organisation with a focus on removing barriers and increasing accessibility. The Group shall make reasonable workplace adjustments, including for disabilities and religious practices. If colleagues become disabled, efforts are made to ensure their employment continues, with appropriate training and workplace adjustments where necessary. This is supported by the Global Guideline and Process for Workplace Adjustment that was re-launched in 2016 to support colleagues with disabilities.

The Group's approach to misconduct issues (including dismissals) is guided by the Fair Accountability principles which endorse thoughtful judgement, proportionality, procedural appropriateness and fairness of outcomes. Dismissals because misconduct issues and performance (where required by law to follow a disciplinary process) are governed by the Group Disciplinary Policy and Procedure with clear standards. Where local law or regulation requires a different process with regards to dismissals and other disciplinary actions, country procedures vary accordingly to account for local law and regulation.

The Group has a Flexible Working Practices Policy which was rolled out in 2017, allowing colleagues a range of flexible working options– this includes flexible time, working from home or part-time working. Our global Parental Leave Benefits were also revised in 2017, to support working parents no matter where they are across the Group. We now provide a minimum of 20 calendar weeks fully paid maternity leave, a minimum of leave of two calendar weeks for spouses or partners, and two calendar weeks for adoption leave. Combined, this places the Group above the International Labour Organisation minimum standards.

Health and safety

Our Health and Safety (H&S) programme covers both mental and physical wellbeing. The Group complies with both external regulatory requirements and internal policy and standards for H&S in all markets. It is 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. Based on our risk profile, our H&S standards define our requirements for H&S governance and assurance, workstation ergonomics, fire safety, first aid, indoor air quality and the work environment, vehicle and driving safety, incident reporting and investigation, and accessible design.

Group Code of Conduct

The Court has adopted a Group Code of Conduct (the Code) relating to the lawful and ethical conduct of business and this is supported by the Group's core values. It has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, employees and regulators in the communities in which the Group operates. Directors and employees are asked to recommit to the Code annually, and this was done during September 2018.

Environmental impact of our operations

We aim to minimise the environmental impact of our operations as part of our commitment to being 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.

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.

Following a review of the independence and effectiveness of our Group statutory auditor (details of which can be found on page 74), resolutions to appoint KPMG and to determine its remuneration will be proposed at the 2019 Annual General Meeting.

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

By order of the Court

Bill Winters
Director
25 February 2019
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 Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Company financial statements on the same basis.

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 with IFRSs as adopted by the EU;
- → 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 principal 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 2019

Standard Chartered Bank
Risk review and Capital review

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Risk review and Capital review

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

→ From the start of the 'Credit Risk Review' section (page 54) to the end of 'Other principal risks' in the same section (page 140), excluding:

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→ 'CRD IV capital base' (page 174) excluding capital ratios and risk-weighted assets (RWA) (page 174)

Disclosures noted as 'Unaudited' are not within the scope of KPMG LLP's review.

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Risk update

All risk types, both financial and non-financial, are managed and reported in accordance with the Group's Enterprise Risk Management Framework. 2018 saw sustained progress towards improving the resilience of the Group's portfolios as shown here by the key highlights from the past year.

Key highlights 2018

- → Lower credit impairment in the ongoing book – 38 per cent reduction on levels seen in 2017
- → Improved credit quality of the Corporate portfolios
- → Further strengthening of our capital position

Our portfolio quality

Our core objective is to build a strong and sustainable business and in 2018 we made progress towards this end. We have secured the foundations of the Group, having overseen a continued reduction in credit impairment, and show resilience as evidenced by strong capital and liquidity metrics. Our Risk Appetite Statement is approved by the Board and is set to enable us to grow sustainably while avoiding shocks to earnings or our general financial health, and to manage our Reputational Risk in a way that would not materially undermine the confidence of our investors and all internal and external stakeholders. In 2018, we added further granularity to our Risk Appetite, including cascading critical Risk Appetite metrics down to countries with significant business operations. The Group will not compromise adherence to its Risk Appetite to pursue revenue growth or higher returns.

Credit quality has continued to improve in 2018, as the positive momentum from the previous year was carried over in many important areas. We further reduced our liquidation portfolio by 39 per cent to $1.4 billion at the end of 2018 (2017: $2.2 billion) through active management, with net loans and advances of $0.3 billion (2017: $0.7 billion), after provisions. From 2019, the Group will report the liquidation portfolio as part of its underlying business. Credit grade 12 balances were flat year-on-year, while we observed a decrease in net exposure on early alert from $8.7 billion to $4.8 billion, mainly due to reductions in counterparty exposure and accounts being regularised. The percentage of investment grade clients in our corporate net exposure increased to 62 per cent (2017: 57 per cent), and new origination is carried out within Risk Appetite. We remain alert to broader geopolitical uncertainties that have affected sentiment in some of our markets, and we continue to focus on early identification of emerging risks across all our portfolios to proactively manage any areas of potential weakness.

The Group continues to be well diversified, across industry sectors, products and geographies, and exposures remain predominantly short tenor. The Group remains selective in cyclical sectors such as commodity traders, oil and gas support, and metals and mining. There was an increase in the net exposure to our top 20 corporate clients as a percentage of Tier 1 Capital (2018: 54 per cent; 2017: 50 per cent), mainly in investment grade global majors. The largest sector concentrations within the Corporate & Institutional Banking and Commercial Banking portfolios are manufacturing, at 17 per cent of loans and advances to customers (2017: 16 per cent) and financing, insurance and non-banking financial counterparties, which remains at 15 per cent. All other industry concentrations are at or below 12 per cent. The proportion of long-term sub-investment grade exposure for which we are collateralised remains above 50 per cent. This has us well positioned to realise new opportunities, while remaining vigilant for any new threats that may arise and working on areas that need improvement.

In Retail Banking and Private Banking, loans and advances were broadly stable, with exposures mainly in Greater China & North Asia and ASEAN & South Asia. Secured lending remains the primary focus of our Retail Banking business, with 84 per cent of the book continuing to be fully secured as of the end of 2018. The average loan-to-value of the mortgage portfolio is low at 45 per cent (2017: 47 percent). Retail Banking overall delinquencies remained stable with early delinquent buckets in stage 2 reducing to $381 million from $405 million last year.

The Group maintains a strong liquidity position, with the liquidity coverage ratio higher at 154 per cent from 146 per cent in 2017. This was driven by an increase in our liquid asset position partially aligned to the growth in our overall balance sheet as we continued to focus on high-quality liquidity across our businesses. The advances to-deposits ratio (2018: 64.9 per cent) decreased from the previous year (2017: 67.0 per cent). We remain a net provider of liquidity to the interbank markets and our customer deposit base is diversified by type and maturity. We have a substantial portfolio of marketable securities which can be realised in the event of a liquidity stress situation. The Group's Common Equity Tier 1 ratio of 15.0 per cent was 90 basis points higher than 2017 mainly due to a lower level of risk-weighted assets which reduced by $21.5 billion. This was driven by a reduction in credit risk-weighted assets of $15.1 billion.

The average level of total trading and non-trading value at risk (VaR) in 2018 was $20.6 million, 20 per cent lower than in 2017, driven by a reduction in the duration of the non-trading portfolio in the first half of 2018. However, by year end 2018, the non-trading VaR had risen because of an increase in the portfolio inventory and reduced portfolio diversification in the second half of the year

Key Indicators

	31.12.18 (IFRS 9)	01.01.18 (IFRS 9)	31.12.17 (IAS 39)	31.12.16 (IAS 39)
Group total business[1]				
Stage 3 loans, credit-impaired (2018)[2]/non-performing loans (2017) ($ billion)	**6.9**	8.8	8.7	9.7
Stage 3 cover ratio	**59%**	60%	60%[3]	60%[3]
Stage 3 cover ratio (including collateral)	**81%**	81%	81%	76%
Group ongoing business[1]				
Stage 1 loans ($ billion)	**237.1**	228.5		
Stage 2 loans ($ billion)	**17.4**	20.6		

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Risk update

	31.12.18 (IFRS 9)	01.01.18 (IFRS 9)	31.12.17 (IAS 39)	31.12.16 (IAS 39)
Stage 3 loans, credit-impaired (2018)[2]/non-performing loans (2017) ($ billion)	**5.6**	6.5	6.5	5.9
Stage 3 cover ratio	**55%**	56%	56%[4]	57%[4]
Stage 3 cover ratio (including collateral)	**78%**	78%	79%	74%
Corporate & Institutional Banking and Commercial Banking[5]				
Investment grade corporate net exposures as a percentage of total corporate net exposures	**62%**		57%	56%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers	**60%**[6]		70%	70%
Early alert portfolio net exposures ($ billion)	**4.8**		8.7	12.9
Credit grade 12 net exposures ($ billion)	**1.5**		1.5	1.5
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital	**54%**		50%	55%
Collateralisation of sub-investment grade net exposures maturing in more than 1 year	**51%**		55%	55%
Retail Banking[5]				
Loan-to-value ratio of retail mortgages	**45%**		47%	49%

1 These numbers represent total loans and advances to customers

2 Following adoption of IFRS 9, the definitions of stage 3 and non-performing loans have been aligned. See Note 40 to the financial statements

3 2017 and 2016 total business cover ratios rebased to exclude portfolio impairment provisions to align to IFRS 9 (IAS 39: 65 per cent on 31 December 2017; 67 per cent on 31 December 2016)

4 2017 and 2016 ongoing business cover ratios rebased to exclude portfolio impairment provisions to align to IFRS 9 (IAS 39: 63 per cent on 31 December 2017; 69 per cent on 31 December 2016)

5 These metrics are not impacted by the adoption of IFRS 9, hence data as at 1 January 2018 is not needed for comparative purposes

6 Excludes fair value through profit or loss (Including fair value through profit or loss: 71%)

Stage 3/Non-performing loans

Overall gross credit-impaired (stage 3) loans for the Group reduced by 21 per cent in 2018, from $8.8 billion to $6.9 billion, as planned reductions in the liquidation portfolio were combined with decreases in the ongoing business.

Gross credit-impaired (stage 3) loans for the ongoing business decreased from $6.5 billion to $5.6 billion in 2018, mainly driven by repayments and write-offs in Corporate & Institutional Banking. There was also a large reduction in inflows to stage 3 in Corporate & Institutional Banking as historically high inflows in India and the oil and gas sector did not recur, offset by an increase in inflows to stage 3 in Commercial Banking exposures in Greater China & North Asia and Africa & Middle East, with no specific industry concentration. Most of these new stage 3 counterparties had been on early alert prior to transfer to stage 3 and do not indicate new areas of stress for the overall portfolio.

Gross credit-impaired (stage 3) loans for the Retail Banking portfolio remained broadly stable at $0.8 billion.

The cover ratio in the total book declined marginally to 59 per cent in 2018 (1 January 2018: 60 per cent), driven by the impact of write-offs and settlements in the liquidation portfolio, while the cover ratio including collateral was stable at 81 per cent. The cover ratio before collateral for Corporate & Institutional Banking decreased to 57 per cent (1 January 2018: 59 per cent) due to a small number of write-offs which had a high level of provisions; while the cover ratio after collateral decreased to 77 per cent (1 January 2018: 78 per cent). The cover ratio before collateral for Commercial Banking is stable at 70 per cent, although the cover ratio including collateral increased to 87 per cent (1 January 2018: 84 per cent). The cover ratio for Retail Banking remained stable at 48 per cent, and the cover ratio including collateral improved to 87 per cent (1 January 2018: 74 per cent).

Credit impairment

At a Group level, total credit impairment including the liquidation and restructuring portfolio is $0.7 billion, representing a loan loss rate of 21 basis points (bps) of average customer loans and advances. This was significantly lower than the levels observed in 2017 ($1.4 billion) and 2016 ($2.8 billion). Credit impairment for the ongoing business reduced by 38 per cent to $0.7 billion (2017: $1.2 billion), representing a loan loss rate of 24 basis points of average customer loans and advances, driven by improvements in Corporate & Institutional Banking and Retail Banking.

Credit impairment for the Corporate & Institutional Banking ongoing business is significantly lower at 35 per cent of the levels seen last year (2018: $229 million; 2017: $657 million). This reflected an improvement in the risk profile in this segment, and continued focus on high-quality new origination.

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Risk update

Commercial Banking ongoing business credit impairment increased by 45 per cent (2018: $244 million, 2017: $168 million) compared to 2017, which saw a release of $63 million of portfolio impairment provisions held against certain sectors of the portfolios that were no longer required. Africa & Middle East contributed 60 per cent of the full-year 2018 charge.

Retail Banking credit impairment was 29 per cent lower in the year (2018: $267 million, 2017: $374 million) driven by portfolio improvements, run down of high-risk segments in our unsecured portfolios and one-off provision releases in Korea and Indonesia.

Credit impairment in the restructuring portfolio was $(87) million (2017: $162 million), and includes the net release of $79 million in the liquidation portfolio due to loan disposals and repayments.

Credit Impairment	**31.12.18 $million (IFRS 9)[1]**	31.12.17 $million (IAS 39)[2]	31.12.16 $million (IAS 39)[2]
Corporate & Institutional Banking	**229[3]**	657	1,401
Commercial Banking	**244**	168	491
Private Banking	**-**	1	1
Retail Banking	**267**	374	489
Total ongoing business	**740**	1,200	2,382
Restructuring charge/(credit) (including liquidation portfolio)	**(87)**	162	409

1 Credit impairment under IFRS 9 covers a broader asset base than loan impairment under IAS 39, effective from 1 January 2018
2 2017 data is prepared and disclosed on an IAS 39 basis
3 Credit impairment recovery of $13 million in Central & Other items is included in Corporate & Institutional Banking

Standard Chartered Bank
Risk profile

Risk profile

Our risk profile in 2018

Through our well-established risk governance structure and Enterprise Risk Management Framework (ERMF), we closely manage our risks with the objective of maximising risk-adjusted returns while remaining in compliance with the Risk Appetite Statement. We manage uncertainties through a dynamic risk scanning process that provides a forward-looking view of the economic, business and credit conditions across the Group's key markets, enabling us to proactively manage our portfolio.

We continue to reposition the Group's corporate portfolio, exiting weaker credit or lower-returning clients and adding new clients selectively. We remain alert to broader geopolitical uncertainties that have affected sentiment in some of our markets, and we continue to focus on early identification of emerging risks across all our portfolios to manage any areas of potential weakness on a proactive basis. The Group's portfolio is well diversified across dimensions such as industries, geographies and products.

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

Our risk profile in 2018

Stronger risk culture across the Three Lines of Defence from increased awareness of the ERMF

- → In 2018, we developed consistent and integrated Risk Type Frameworks for our ten Principal Risk Types
- → We formalised links between our Strategy, Risk Appetite and risk identification to integrate risk considerations into strategic decision-making
- → We enhanced our Risk Appetite coverage on non-financial Principal Risk Types
- → We established clear individual accountability for risk management across the three lines of defence
- → We aligned our risk committees to the ERMF
- → We augmented our risk scanning processes to enable more dynamic and forward-looking assessments of risk
- → We rolled out an ERMF Effectiveness Review process to measure progress in an objective manner

Further details on the Enterprise Risk Management Framework can be found in the Risk management approach (Page 141)

Corporate portfolios remain well diversified and exhibit improving credit quality

- → Credit impairment for the total ongoing business reduced by 38 per cent on 2017
- → We further reduced our liquidation portfolio by 39 per cent in the year through active management
- → Within the Corporate & Institutional and Commercial Banking portfolios:
  - Exposure to investment grade clients has increased to 62 per cent of the total corporate book in 2018 (2017: 57 per cent)
  - The largest sector concentration is manufacturing at 17 per cent of loans and advances to customers, and financing, insurance and non-banking financial counterparties at 15 per cent. All other industry concentrations are at 12 per cent or lower of the total customer portfolio.
- → Over 50 per cent of long-term sub-investment grade exposures within the corporate portfolio remain collateralised
- → Within the Retail Banking portfolio, secured lending remains our primary focus, with 84 per cent of the book continuing to be fully secured. Our overall loan-to-value ratio is low at 45 per cent

Robust capital and liquidity position

- → We remain well capitalised and our balance sheet remains highly liquid
- → We have a strong advances-to-deposits ratio
- → We remain a net provider of liquidity to interbank markets and our customer deposit base is diversified by type and maturity
- → We have a substantial portfolio of marketable securities which can be realised in the event of a liquidity stress situation

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Risk profile

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 comprise of the ongoing portfolio and liquidation portfolio in this section unless otherwise separately identified.

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 15 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 changes and methodology

IFRS 9 came into effect on 1 January 2018. As a summary the primary changes for the Group are as follows:

New impairment model

IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses (ECL) rather than incurred losses under IAS 39 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 with what was expected at origination. The framework used to determine a significant increase in credit risk is set out below . Instruments are classified as stage 3 whenthey become credit-impaired.

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

The Group has not restated comparative information. Accordingly, amounts prior to 1 January 2018 are prepared and disclosed on an IAS 39 basis. This primarily impacts the credit risk disclosures, where loan loss provisioning is determined on an expected credit loss basis under IFRS 9 compared with an incurred credit loss basis under IAS 39.

Where relevant, the 1 January 2018 balance sheet has been used for comparative purposes. The Group's initial estimate of credit impairment on adoption of IFRS 9 was $6,720 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment was revised down by $222 million to $6,498 million, and the net expected credit loss of $(1,296) million adjusted against retained earnings was similarly decreased by $222 million to $(1,074) million. This was presented as part of the Group's 2018 interim financial statements.

A summary of the differences between IFRS 9 and IAS 39 is disclosed in the Notes to the financial statements (page 325).

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Risk profile

IFRS 9 changes and methodology

The accounting policies under IFRS 9 are set out in Note 8 Credit impairment and Note 12 Financial instruments. The impact upon adoption of IFRS 9 as at 1 January 2018 is set out in Note 40 IFRS 9 Financial instruments. The main methodology principles and approach adopted by the Group are set out in the following table with cross references to other sections.

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. Where available, the Group has leveraged existing advanced Internal Ratings Based (IRB) regulatory models that have been used to determine regulatory expected loss. For portfolios that follow a standardised regulatory approach, the Group has developed new models where these are material.	Credit risk methodology Key differences between regulatory IFRS expected credit loss models Determining lifetime expected credit loss for revolving products	110 110 111
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information.	Incorporation of forward-looking information and impact of non-linearity Forecast of key macroeconomic variables underlying the expected credit loss calculation	112 112
Significant increase in credit risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis to a lifetime basis 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	114 114 115 115 115 115 115
Assessment of credit-impaired financial assets	Credit-impaired 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.	Retail Banking clients Corporate & Institutional Banking clients Commercial Banking and Private Banking clients	115 116 116
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 cash flows 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 probability of default (PD) based on the modified terms to the remaining lifetime PD based on the original contractual terms.	Forbearance and other modified loans	207

Standard Chartered Bank
Risk profile

Title	Description	Supplementary information	Page
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. In addition: • Loans that were subject to forbearance measures must remain current for 12 months before they can be transferred to stage 2; • Retail loans that were not subject to forbearance measures must remain current for 180 days before they can be transferred to stage 2 or stage 1. 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	81
Governance and application of expert credit judgement in respect of expected credit losses	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.	Group Credit Model Assessment Committee IFRS 9 Impairment Committee	116 116

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Risk profile

Maximum exposure to credit risk

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 2018, 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 $28 billion to $668 billion (1 January 2018: $640 billion). This was driven by a $10 billion increase in investment securities as the Group further strengthened its portfolio of high-quality liquid assets, as well as a $9 billion increase in reverse repos held at fair value through profit or loss primarily in the UK. Investment securities held at fair value through profit or loss increased by $1.8 billion as a result of deployment of funds in better quality assets. Further, other assets increased by $2.9 billion mainly driven by cash collateral and unsettled trades due to settlement timing differences.

Off-balance sheet credit risk exposures increased by $2 billion compared with 1 January 2018, primarily within contingent liabilities, offset by a decrease in documentary credits and short-term trade-related transactions.

	31.12.18				01.01.18			
		Credit risk management				Credit risk management		
Group	Maximum exposure	Collateral	Master netting agreements	Net exposure	Maximum exposure	Collateral	Master netting agreements	Net exposure
	$million	$million	$million	$million	$million	$million	$million	$million
On-balance sheet								
Cash and balances at central banks	**57,511**			**57,511**	58,864	-	-	58,864
Loans and advances to banks[1,8]	**61,411**	**3,815**		**57,596**	62,283	5,101		57,182
of which - reverse repurchase agreements and Other similar secured lending[7]	**3,815**	**3,815**		**-**	5,101	5,101		-
Loans and advances to customers [1,8]	**256,562**	**109,326**		**147,236**	251,507	118,132		133,375
of which - reverse repurchase agreements and Other similar secured lending[7]	**3,151**	**3,151**		**-**	4,566	4,566		-
Investment securities - debt securities and other eligible bills[2]	**125,638**	**-**	**-**	**125,638**	115,604	-	-	115,604
Fair value through profit or loss[3,7]	**85,441**	**54,769**	**-**	**30,672**	72,478	45,518	-	26,960
Loans and advances to banks	**3,768**			**3,768**	2,866			2,866
Loans and advances to customers	**4,928**			**4,928**	3,909			3,909
Reverse repurchase agreements and other secured lending	**54,769**	**54,769**		**-**	45,518	45,518	-	-
Investment securities - debt securities and other eligible bills[2]	**21,976**	**-**	**-**	**21,976**	20,185	-	-	20,185
Derivative financial instruments[4,7]	**46,990**	**9,259**	**32,283**	**5,448**	47,755	9,825	29,135	8,795
Accrued income	**2,228**			**2,228**	2,307	-	-	2,307
Assets held for sale	**22**			**22**	-	-	-	-
Other assets [5]	**32,666**			**32,666**	29,798	-	-	29,798
Total balance sheet	**668,469**	**177,169**	**32,283**	**459,017**	640,596	178,576	29,135	432,885
Off-balance sheet								
Contingent liabilities[6]	**41,952**	**-**	**-**	**41,952**	37,639	-	-	37,639
Undrawn irrevocable standby facilities, credit lines and other commitments to lend[6]	**147,728**	**-**	**-**	**147,728**	147,978	-	-	147,978
Documentary credits and short-term trade-related transactions[6]	**3,982**	**-**	**-**	**3,982**	5,808	-	-	5,808
Total off- balance sheet	**193,662**	**-**	**-**	**193,662**	191,425 [9]	-	-	191,425
Total	**862,131**	**177,169**	**32,283**	**652,679**	832,021	178,576	29,135	624,310

1 An analysis of credit quality is set out in the credit quality analysis section (page 66). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 95)

2 Excludes equity and other investments $263 million (01 January 2018: $214 million)

3 Excludes equity and other investments $1569 million (01 January 2018: $1,835 million)

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 Hong Kong certificates of indebtedness, cash collateral, and acceptances, in addition to unsettled trades and other financial assets

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

7 Collateral capped at maximum exposure (over-collateralised)

8 Covered exposure at default (EAD), being the collateral considered to mitigate (cover) credit risk in the EAD calculation, has been used to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses in accordance with IFRS 7 -Financial Instrument disclosures

9 Contingent liabilities and commitments have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS 9. The ageing of commitments is now based on residual rather than original maturity

Standard Chartered Bank
Risk profile

Group	31.12.17 (IAS 39)			
		Credit risk management		
	Maximum exposure $million	Collateral $million	Master netting agreements $million	Net exposure $million
On-balance sheet				
Cash and balances at central banks	58,864	-	-	58,864
Loans and advances to banks[1]	78,178	20,694		57,484
of which - reverse repurchase agreements and other similar secured lending	20,694	20,694	-	-
Loans and advances to customers[1]	282,286	146,641		135,645
of which - reverse repurchase agreements and other similar secured lending	33,581	33,581	-	-
Investment securities - debt securities and other eligible bills[2]	116,101			116,101
Fair value through profit or loss[3]	26,113	912	-	25,201
Loans and advances to banks	2,572			2,572
Loans and advances to customers	2,918			2,918
Reverse repurchase agreements and other similar secured lending	912	912		-
Investment securities - debt securities and other eligible bills[2]	19,711			19,711
Derivative financial instruments[4]	47,755	9,825	29,135	8,795
Accrued income	1,947	-	-	1,947
Assets held for sale	2	-	-	2
Other assets [5]	29,798	-	-	29,798
Total balance sheet	641,044	178,072	29,135	433,837
Off-balance sheet				-
Contingent liabilities[6]	37,639	-	-	37,639
Undrawn irrevocable standby facilities, credit lines and other commitments to lend[6]	147,978	-	-	147,978
Documentary credits and short-term trade-related transactions[6]	5,808	-	-	5,808
Total off- balance sheet	191,425	-	-	191,425
Total	832,469	178,072	29,135	625,262

1 An analysis of credit quality is set out in the credit quality analysis section (Page 68). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 95)

2 Excludes equity and other investments $834 million

3 Excludes equity and other investments $1,211 million

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 Hong Kong certificates of indebtedness, cash collateral, and acceptances, in addition to unsettled trades and other financial assets

6 Contingent liabilities and commitments have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS 9

Standard Chartered Bank
Risk profile

Company	31.12.18				01.01.18			
		Credit risk management				Credit risk management		
	Maximum exposure	Collateral	Master netting agreements	Net Exposure	Maximum exposure	Collateral	Master netting agreements	Net exposure
	$million	$million	$million	$million	$million	$million	$million	$million
On-balance sheet								
Cash and balances at central banks	**44,749**			**44,749**	44,951	-	-	44,951
Loans and advances to banks[1,8]	**23,732**	**26**		**23,706**	31,622	22		31,600
of which - reverse repurchase agreements and other similar secured lending[7]	**26**	**26**		**-**	22	22		-
Loans and advances to customers[1]	**77,282**	**16,758**		**60,524**	98,861	27,361		71,500
of which - reverse repurchase agreements and other similar secured lending[7]	**1,470**	**1,470**		**-**	2,728	2,728		-
Investment securities - debt securities and other eligible bills[2]	**63,809**	**-**	**-**	**63,809**	58,897	-	-	58,897
Fair value through profit or loss[3,7]	**70,291**	**54,413**	**-**	**15,878**	62,189	45,357	-	16,832
Loans and advances to banks	**3,421**			**3,421**	2,546			2,546
Loans and advances to customers	**1,809**			**1,809**	2,203			2,203
Reverse repurchase agreements and other similar secured lending	**54,413**	**54,413**		**-**	45,357	45,357	-	-
Investment securities - debt securities and other eligible bills[2]	**10,648**	**-**	**-**	**10,648**	12,083	-	-	12,083
Derivative financial instruments[4,7]	**46,930**	**8,975**	**34,498**	**3,457**	47,535	9,442	29,135	8,958
Accrued income	**1,182**			**1,182**	1,222	-	-	1,222
Assets held for sale[11]	**43,327**	**3,993**		**39,334**	-	-	-	-
Other assets [5]	**19,069**			**19,069**	19,465	-	-	19,465
Total balance sheet	**390,371**	**84,165**	**34,498**	**271,708**	364,742	82,182	29,135	253,425
Off-balance sheet								
Contingent liabilities[6]	**32,078**	**-**	**-**	**32,078**	36,523	-	-	36,523
Undrawn irrevocable standby facilities, credit lines and other commitments to lend[6]	**82,704**	**-**	**-**	**82,704**	84,360	-	-	84,360
Documentary credits and short-term trade-related transactions[6]	**2,685**	**-**	**-**	**2,685**	3,701	-	-	3,701
Total off- balance sheet	**117,467**	**-**	**-**	**117,467**	124,584	-	-	124,584
Total [10]	**507,838**	**84,165**	**34,498**	**389,175**	489,326	82,182	29,135	378,009

1 An analysis of credit quality is set out in the credit quality analysis section (Page 69). Further details of collateral held by client segment and stage are set out in the collateral analysis section (Page 96)

2 Excludes equity and other investments $174 (01 January 2018: $181 million)

3 Excludes equity and other investments $1359 (01 January 2018: $851 million)

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 Hong Kong certificates of indebtedness, cash collateral, and acceptances, in addition to unsettled trades and other financial assets

6 Excludes unconditionally cancellable facilities and expected credit loss allowances

7 Collateral capped at maximum exposure (over-collateralised)

8 Covered exposure at default (EAD), being the collateral considered to mitigate (cover) credit risk in the EAD calculation, has been used to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses in accordance with IFRS 7 -Financial Instrument disclosures

9 Contingent liabilities and commitments have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS 9. The ageing of commitments is now based on residual rather than original maturity

10 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $12,025 million (1 Jan 2018 / 31 December 2017: $16,626 million)

11 Standard Chartered Bank Singapore branch is currently in the process of transferring certain assets and liabilities to Standard Chartered Bank (Singapore) Limited, a subsidiary of Standard Chartered Bank. For Standard Chartered Bank Company this sale has met the criteria to be classified as assets held for sale and associated liabilities. Financial assets of $43 billion have been excluded from the subsequent tables in the Risk profile. See Note 20, Assets held for sale and associated liabilities.

Standard Chartered Bank
Risk profile

Company	31.12.17 (IAS 39) Maximum exposure $million	Credit risk management Collateral $million	Master netting agreements $million	Net exposure $million
On-balance sheet				
Cash and balances at central banks	44,951	-	-	44,951
Loans and advances to banks[1]	47,494	-		47,494
of which - reverse repurchase agreements and other similar secured lending	15,596	15,596	-	-
Loans and advances to customers[1]	128,371	76,533		51,838
of which - reverse repurchase agreements and other similar secured lending	31,707	31,707	-	-
Investment securities - debt securities and other eligible bills[2]	59,197			59,197
Fair value through profit or loss[3]	16,866	-	-	16,866
Loans and advances to banks	2,252			
Loans and advances to customers	2,006			
Reverse repurchase agreements and other similar secured lending	805	-		
Investment securities - debt securities and other eligible bills[2]	11,803			
Derivative financial instruments[4]	47,535	9,442	27,629	10,464
Accrued income	1,008	-	-	1,008
Assets held for sale	2	-	-	2
Other assets [5]	19,465	-	-	19,465
Total balance sheet	364,889	85,975	27,629	251,285
Off-balance sheet				-
Contingent liabilities[6]	36,523	-	-	36,523
Undrawn irrevocable standby facilities, credit lines and other commitments to lend[6]	84,360	-	-	84,360
Documentary credits and short-term trade-related transactions[6]	3,701	-	-	3,701
Total off- balance sheet	124,584	-	-	124,584
Total	489,473	85,975	27,629	375,869

1 An analysis of credit quality is set out in the credit quality analysis section (page 71). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 96)
2 Excludes equity and other investments $315 million

3 Excludes equity and other investments $718 million

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 Hong Kong certificates of indebtedness, cash collateral, and acceptances, in addition to unsettled trades and other financial assets

6 Contingent liabilities and commitments have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS

Standard Chartered Bank
Risk profile

Analysis of financial instrument by stage

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

The proportion of financial instruments held within stage 1 increased to 92 per cent, compared with 90 per cent at 1 January 2018. This increase was primarily within Corporate & Institutional Banking loans and advances where the proportion of stage 1 loans rated as 'Strong' has increased from 58 per cent to 62 per cent.

The proportion of stage 2 financial instruments decreased to 7 per cent from 8 per cent at 1 January 2018, primarily from reductions in loans and advances and undrawn commitments. This was largely due to an improvement in the credit quality of the Corporate & Institutional Banking portfolio. Loans held on non-purely precautionary early alert in the Corporate & Institutional Banking and Commercial Banking portfolios declined by $3.9 billion as accounts repaid or regularised. Loans classed as 'Higher risk' increased by 4 per cent primarily within the Commercial Banking segment. The stage 2 cover ratio declined to 2.4 per cent from 2.8 per cent at 1 January 2018 primarily due to improved credit quality together with more high-quality collateral.

The proportion of instruments classified as stage 3 declined by $1.6 billion. This was driven by a combination of repayments, debt sales, write-offs and upgrades within loans and advances to customers. The stage 3 cover ratio (excluding collateral) declined from 60 per cent to 59 per cent over the same period but remained stable including collateral.

Standard Chartered Bank
Risk profile

Group	31.12.18											
	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
Loans and advances to banks (amortised cost)	**60,347**	**(5)**	**60,342**	**1,070**	**(1)**	**1,069**	**-**	**-**	**-**	**61,417**	**(6)**	**61,411**
Loans and advances to customers (amortised cost)	**237,107**	**(426)**	**236,681**	**17,428**	**(416)**	**17,012**	**6,926**	**(4,057)**	**2,869**	**261,461**	**(4,899)**	**256,562**
Debt securities and other eligible bills	**118,715**	**(27)**		**6,908**	**(31)**		**232**	**(207)**		**125,855**	**(265)**	
Amortised cost	**8,226**	**(7)**	**8,219**	**1,062**	**(3)**	**1,059**	**232**	**(207)**	**25**	**9,520**	**(217)**	**9,303**
FVOCI[2]	**110,489**	**(20)**		**5,846**	**(28)**		**-**	**-**		**116,335**	**(48)**	
Undrawn commitments[3]	**137,783**	**(69)**		**13,864**	**(39)**		**63**	**-**		**151,710**	**(108)**	
Financial guarantees[3]	**38,532**	**(4)**		**3,053**	**(13)**		**367**	**(156)**		**41,952**	**(173)**	
Total	**592,484**	**(531)**		**42,323**	**(500)**		**7,588**	**(4,420)**		**642,395**	**(5,451)**	

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 reserves

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

Group	01.01.18											
	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
Loans and advances to banks (amortised cost)	59,916	(6)	59,910	2,370	(2)	2,368	9	(4)	5	62,295	(12)	62,283
Loans and advances to customers (amortised cost)	228,483	(472)	228,011	20,585	(576)	20,009	8,769	(5,282)	3,487	257,837	(6,330)	251,507
Debt securities and other eligible bills	107,309	(26)		8,302	(58)		221	(213)		115,832	(297)	
Amortised cost[2]	6,205	(3)	6,202	995	(16)	979	221	(213)	8	7,421	(232)	7,189
FVOCI[3]	101,104	(23)		7,307	(42)		-	-		108,411	(65)	
Undrawn commitments[4]	138,804	(66)		14,982	(90)		-	-		153,786	(156)	
Financial guarantees[4]	31,292	(6)		6,148	(16)		199	(77)		37,639	(99)	
Total	565,804	(576)		52,387	(742)		9,198	(5,576)		627,389	(6,894)	

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

2 Stage 3 Gross balance and Total credit impairment of Debt securities and other eligible bills – amortised cost has increased by $208 million, with no impact on Net carrying value. The balances have been restated to present securities with zero carrying value previously classified as AFS under IAS 39 on a gross basis as required under IFRS 9

3 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 reserves

4 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. Commitments now sourced from a centralised process implemented under IFRS 9 Contingent liabilities and commitments gross balances have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS 9. The ageing of commitments is now based on residual rather than original maturity

Standard Chartered Bank
Risk profile

Company	31.12.18											
	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
Loans and advances to banks (amortised cost)	**23,353**	**(2)**	**23,351**	**381**	**-**	**381**	**-**	**-**	**-**	**23,734**	**(2)**	**23,732**
Loans and advances to customers (amortised cost)	**68,277**	**(151)**	**68,126**	**7,491**	**(204)**	**7,287**	**5,002**	**(3,133)**	**1,869**	**80,770**	**(3,488)**	**77,282**
Debt securities and other eligible bills	**61,836**	**(20)**		**1,978**	**(3)**		**-**	**-**		**63,814**	**(23)**	
Amortised cost	**8,621**	**(2)**	**8,619**	**740**	**(3)**	**737**	**-**	**-**	**-**	**9,361**	**(5)**	**9,356**
FVOCI[2]	**53,215**	**(18)**		**1,238**	**-**		**-**	**-**		**54,453**	**(18)**	
Undrawn commitments[3]	**78,280**	**(30)**		**7,046**	**(28)**		**63**	**-**		**85,389**	**(58)**	
Financial guarantees[3]	**29,530**	**(3)**		**2,196**	**(12)**		**352**	**(156)**		**32,078**	**(171)**	
Total[4]	**261,276**	**(206)**		**19,092**	**(247)**		**5,417**	**(3,289)**		**285,785**	**(3,742)**	

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 reserves

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 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $12,025 million. The amounts are held within stage 1 and rated as 'Strong' at 31 December 2018 and is net of an expected credit loss provision of $28 million

Company	01.01.18											
	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
Loans and advances to banks (amortised cost)	30,665	(3)	30,662	956	(1)	955	9	(4)	5	31,630	(8)	31,622
Loans and advances to customers (amortised cost)	84,417	(161)	84,256	12,660	(334)	12,326	6,384	(4,105)	2,279	103,461	(4,600)	98,861
Debt securities and other eligible bills	56,673	(19)		2,241	(25)		5	(5)		58,919	(49)	
Amortised cost	7,419	(3)	7,416	471	(14)	457	5	(5)	-	7,895	(22)	7,873
FVOCI[2]	49,254	(16)		1,770	(11)		-	-		51,024	(27)	
Undrawn commitments[3]	81,005	(39)		7,056	(61)		-	-		88,061	(100)	
Financial guarantees[3]	31,447	(4)		4,951	(14)		125	(60)		36,523	(78)	
Total[4]	284,207	(226)		27,864	(435)		6,523	(4,174)		318,594	(4,835)	

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 reserves

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. Commitments now sourced from a centralised process implemented under IFRS 9 Contingent liabilities and commitments gross balances have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS 9. The ageing of commitments is now based on residual rather than original maturity

4 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $16,626 million. The amounts are held within stage 1 and rated as 'Strong' at 1 January 2018

Standard Chartered Bank
Risk profile

Credit quality analysis

Credit quality by client segment

For 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 (page 66). All loans are assigned a CG, which is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CG 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 (non-performing or 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.

Credit quality description	Corporate & Institutional Banking and Commercial Banking			Private Banking[1]	Retail Banking
	Default grade mapping	S&P external ratings equivalent	Regulatory PD range (%)	Internal ratings	Number of days past due
Strong	Grades 1–5	AAA/AA+ to BB+/BBB-	0.000–0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	Grades 6–8 Grades 9–11	BB+ to BB-/B+ B+/B to B-/CCC	0.426–2.350 2.351–15.750	Class II and Class III	Loans past due till 29 days
Higher Risk	Grade 12	B-/CCC	15.751–50.000	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 loans increased by 4 per cent compared with 1 January 2018 and represent 91 per cent of total loans and advances to customers as of 31 December 2018. The largest increase of stage 1 loans in any region was $4.1 billion in Europe & Americas. Stage 1 loans in Greater China & North Asia increased by $3.4 billion while ASEAN & South Asia and Africa & Middle East were was broadly stable over the year.

The proportion of Corporate & Institutional Banking loans held within stage 1 improved to 87 per cent from 81 per cent at 1 January 2018. This was concentrated in the 'Strong' category which increased from 58 per cent of stage 1 loans at 1 January 2018 to 62 per cent at 31 December 2018, as the Group continued to focus on the origination of investment grade lending.

In Commercial Banking, the proportion of stage 1 loans declined from 79 per cent to 78 per cent due to a small number of downgrades to stage 2. However, the proportion of stage 1 loans categorised as 'Strong' increased from 24 per cent to 25 per cent in line with the Group's strategy to increase investment grade lending. Across Corporate & Institutional Banking and Commercial Banking, the largest industry contributors to the growth in stage 1 lending were the manufacturing sector, up $2.8 billion, and loans to governments, up $4.0 billion.

The proportion of Retail Banking stage 1 loans was slightly lower at 96 per cent of the total portfolio compared to 97 per cent at 1 January 2018, with the proportion rated as 'Strong' decreasing from 99 per cent to 98 per cent of total stage 1 loans mainly due to decrease of mortgage portfolio and the staging methodology change in the Korea Mortgage portfolio. Stage 1 mortgage loans declined by $4.4 billion, mainly due to tightened regulations in Korea and price competition in Hong Kong which resulted in a reduction in new booking. This was offset by growth of $3.8 billion in Secured wealth products and $0.7 billion in credit cards and personal loans (CCPL) and other unsecured lending.

Stage 2 loans fell by $3.2 billion, or 15 per cent, compared with 1 January 2018, primarily driven by a decline in Corporate and Institutional Banking and Commercial Banking non-purely precautionary early alert balances.

In Corporate & Institutional Banking, 73 per cent of stage 2 loans were rated as 'Satisfactory' compared to 59 per cent at 1 January 2018. This does not represent a decline in overall credit quality as it is primarily driven by improvements in stage 2 investment grade loans which repaid or transferred back into stage 1. The majority of stage 2 loans within Commercial Banking continue to be classified as 'Satisfactory' (31 December 2018: 84 per cent, 1 January 2018: 82 per cent). Within Corporate and Intuitional Banking and Commercial Banking, overall stage 2 loans decreased by $3.9 billion. The reduction spread across a number of sectors, with the manufacturing and financing and non-banking sectors seeing the largest decreases, $1.3 billion and $1.0 billion respectively, as early alert balances declined.

Retail Banking stage 2 loans increased by $0.7 billion, mainly driven by a change in the staging methodology in the Korea mortgage portfolio. 69 per cent are within the 'Strong' category, and the proportion of past due loans reduced from 34 per cent at 1 January 2018 to 31 per cent at 31 December 2018. Driven by an increase in the proportion of Mortgages held in Stage 2 and the rundown of the high risk segments in the personal loans portfolio for ASEAN & South Asia, the requirement for ECL coverage has dropped from 7.8 percent to 4.7 percent.

Standard Chartered Bank

Risk profile

Stage 3 loans fell by $1.8 billion, or 21 per cent, compared with 1 January 2018, with overall stage 3 provisions declined by $1.2 billion to $4.1 billion. The stage 3 cover ratio declined to 59 per cent from 60 per cent largely driven by the impact of write-offs and settlements in the liquidation portfolio.

All regions were lower compared with 1 January 2018, with the decline primarily in ASEAN & South Asia. In Corporate & Institutional Banking and Commercial Banking, stage 3 loans in Corporate and Institutional Banking and Commercial Banking fell by $1.9 billion compared with 1 January 2018 due to repayments, debt sales, write-offs and upgrades in Corporate & Institutional Banking. Provisions against Corporate & Institutional Banking and Commercial Banking loans also fell by $1.2 billion from $4.8 billion to $3.6 billion.

Inflows into stage 3 for Corporate & Institutional Banking were 65 per cent lower than 2017 reflecting the continued improvement in the Corporate & Institutional Banking portfolio. Stage 3 inflows increased for Commercial Banking, driven by exposures in Greater China & North Asia and Africa & Middle East with no specific industry concentration. The majority of new stage 3 counterparties in Corporate & Institutional Banking and Commercial Banking 2018 had been on early alert for a period and do not indicate new areas of stress.

Retail stage 3 loans were broadly stable at $0.8 billion.

Standard Chartered Bank
Risk profile

Loans and advances by client segment

Group

	31.12.18						
		Customers					
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customers total $million
Stage 1	60,347	93,860	98,393	21,913	12,705	10,236	237,107
- Strong	47,857	58,181	96,506	5,527	9,447	10,185	179,846
- Satisfactory	12,490	35,679	1,887	16,386	3,258	51	57,261
Stage 2	1,070	9,356	2,838	4,423	785	26	17,428
- Strong	403	1,429	1,957	270	713	-	4,369
- Satisfactory	665	6,827	500	3,732	-	26	11,085
- Higher risk	2	1,100	381	421	72	-	1,974
Of which (stage 2):							
- Less than 30 days past due	*27*	*232*	*500*	*198*	*-*	*-*	*930*
- More than 30 days past due	*-*	*190*	*381*	*99*	*3*	*-*	*673*
Stage 3, credit-impaired financial assets	-	4,085	832	1,774	235	-	6,926
Gross balance[1]	61,417	107,301	102,063	28,110	13,725	10,262	261,461
Stage 1	(5)	(94)	(300)	(23)	(9)	-	(426)
- Strong	(2)	(32)	(149)	-	(9)	-	(190)
- Satisfactory	(3)	(62)	(151)	(23)	-	-	(236)
Stage 2	(1)	(194)	(132)	(90)	-	-	(416)
- Strong	-	(11)	(42)	(3)	-	-	(56)
- Satisfactory	(1)	(66)	(50)	(45)	-	-	(161)
- Higher risk	-	(117)	(40)	(42)	-	-	(199)
Of which (stage 2):							
- Less than 30 days past due	*-*	*(34)*	*(50)*	*(9)*	*-*	*-*	*(93)*
- More than 30 days past due	*-*	*(2)*	*(40)*	*(4)*	*-*	*-*	*(46)*
Stage 3, credit-impaired financial assets	-	(2,327)	(396)	(1,234)	(100)	-	(4,057)
Total credit impairment	(6)	(2,615)	(828)	(1,347)	(109)	-	(4,899)
Net carrying value	61,411	104,686	101,235	26,763	13,616	10,262	256,562
Stage 1	0.0%	0.1%	0.3%	0.1%	0.1%	0.0%	0.2%
- Strong	0.0%	0.1%	0.2%	0.0%	0.1%	0.0%	0.1%
- Satisfactory	0.0%	0.2%	8.0%	0.1%	0.0%	0.0%	0.4%
Stage 2	0.1%	2.1%	4.7%	2.0%	0.0%	0.0%	2.4%
- Strong	0.0%	0.8%	2.1%	1.1%	0.0%	-	1.3%
- Satisfactory	0.2%	1.0%	10.0%	1.2%	-	0.0%	1.5%
- Higher risk	0.0%	10.6%	10.5%	10.0%	0.0%	-	10.1%
Of which (stage 2):							
- Less than 30 days past due	*0.0%*	*14.7%*	*10.0%*	*4.5%*	*-*	*-*	*10.0%*
- More than 30 days past due	*-*	*1.1%*	*10.5%*	*4.0%*	*0.0%*	*-*	*6.8%*
Stage 3, credit-impaired financial assets (S3)	-	57.0%	47.6%	69.6%	42.6%	-	58.6%
Cover ratio	0.0%	2.4%	0.8%	4.8%	0.8%	0.0%	1.9%
Fair value through profit or loss							
Performing	20,651	41,886	400	479	-	4	42,769
- Strong	19,515	33,178	395	247	-	3	33,823
- Satisfactory	1,136	8,700	4	232	-	1	8,937
- Higher risk	-	8	1	-	-	-	9
Impaired	-	12	-	33	-	-	45
Gross balance[2]	20,651	41,898	400	512	-	4	42,814
Net carrying value (incl FVTPL)	82,062	146,584	101,635	27,275	13,616	10,266	299,376

1 Loans and advances includes reverse repurchase agreements and other similar secured lending for $3,151 million under Customers and for $3,815 million under Banks, held at amortised cost.

2 Loans and advances includes reverse repurchase agreements and other similar secured lending for $37,886 million under Customers and for $16,883 million under Banks, held at fair value through profit and loss

Standard Chartered Bank
Risk profile

Loans and advances by client segment

Group

	01.01.18						
		Customers					
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customers total $million
Stage 1	59,916	83,575	99,971	23,130	12,481	9,326	228,483
- Strong	50,810	48,635	98,721	5,573	8,527	9,238	170,694
- Satisfactory	9,106	34,940	1,250	17,557	3,954	88	57,789
Stage 2	2,370	13,641	2,186	4,023	735	-	20,585
- Strong	1,940	4,400	1,432	394	693	-	6,919
- Satisfactory	376	8,113	349	3,306	-	-	11,768
- Higher risk	54	1,128	405	323	42	-	1,898
Of which (stage 2):							
- Less than 30 days past due	*246*	*493*	*349*	*153*	-	-	*995*
- More than 30 days past due	*25*	*232*	*405*	*123*	*5*	-	*765*
Stage 3, credit-impaired financial assets	9	5,788	818	1,956	207	-	8,769
Gross balance[1]	62,295	103,004	102,975	29,109	13,423	9,326	257,837
Stage 1	(6)	(65)	(370)	(25)	(8)	(4)	(472)
- Strong	(4)	(12)	(324)	(5)	(8)	(4)	(353)
- Satisfactory	(2)	(53)	(46)	(20)	-	-	(119)
Stage 2	(2)	(326)	(170)	(79)	(1)	-	(576)
- Strong	(2)	(14)	(84)	-	(1)	-	(99)
- Satisfactory	-	(165)	(25)	(59)	-	-	(249)
- Higher risk	-	(147)	(61)	(20)	-	-	(228)
Of which (stage 2):							
- Less than 30 days past due	-	*(65)*	*(25)*	*(28)*	-	-	*(118)*
- More than 30 days past due	-	*(71)*	*(61)*	*(14)*	-	-	*(146)*
Stage 3, credit-impaired financial assets	(4)	(3,433)	(389)	(1,369)	(91)	-	(5,282)
Total credit impairment	(12)	(3,824)	(929)	(1,473)	(100)	(4)	(6,330)
Net carrying value	62,283	99,180	102,046	27,636	13,323	9,322	251,507
ECL coverage							
Stage 1	0.0%	0.1%	0.4%	0.1%	0.1%	0.0%	0.2%
- Strong	0.0%	0.0%	0.3%	0.1%	0.1%	0.0%	0.2%
- Satisfactory	0.0%	0.2%	3.7%	0.1%	0.0%	0.0%	0.2%
Stage 2	0.1%	2.4%	7.8%	2.0%	0.1%	-	2.8%
- Strong	0.1%	0.3%	5.9%	0.0%	0.1%	-	1.4%
- Satisfactory	0.0%	2.0%	7.2%	1.8%	-	-	2.1%
- Higher risk	0.0%	13.0%	15.1%	6.2%	0.0%	-	12.0%
Of which (stage 2):							
- Less than 30 days past due	*0.0%*	*13.2%*	*7.2%*	*18.3%*	-	-	*11.9%*
- More than 30 days past due	*0.0%*	*30.6%*	*15.1%*	*11.4%*	*0.0%*	-	*19.1%*
Stage 3, credit-impaired financial assets (S3)	44.4%	59.3%	47.6%	70.0%	44.0%	-	60.2%
Cover ratio	0.0%	3.7%	0.9%	5.1%	0.7%	0.0%	2.5%
Fair value through profit or loss							
Performing	19,022	32,209	539	457	-	-	33,205
- Strong	16,199	22,647	539	100	-	-	23,286
- Satisfactory	2,823	9,555	-	357	-	-	9,912
- Higher risk	-	7	-	-	-	-	7
Impaired	-	59	-	4	-	-	63
Gross balance[2]	19,022	32,268	539	461	-	-	33,268
Net carrying value (incl FVTPL)	81,305	131,448	102,585	28,097	13,323	9,322	284,775

1 Loans and advances includes reverse repurchase agreements and other similar secured lending for $4,566 million under Customers and for $5,101 million under Banks, held at amortised cost.

2 Loans and advances includes reverse repurchase agreements and other similar secured lending for $29,361 million under Customers and for $16,157 million under Banks, held at fair value through profit and loss.

Standard Chartered Bank
Risk profile

Group	31.12.17 (IAS 39)						
		Customers					
	Banks[1] $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customers total[1] $million
Performing loans							
- Strong	68,948	75,672	100,687	6,072	9,220	9,251	200,902
- Satisfactory	12,309	52,610	1,586	21,216	3,951	90	79,453
- Higher risk	54	1,128	405	323	42	-	1,898
	81,311	129,410	102,678	27,611	13,213	9,341	282,253
Impaired forborne loans, net of provisions	-	-	269	-	-	-	269
Non-performing loans, net of provisions	5	2,484	274	596	140	-	3,494
Total loans	81,316	131,894	103,221	28,207	13,353	9,341	286,016
Portfolio impairment provision	(1)	(156)	(208)	(99)	(2)	-	(465)
Total net loans	81,315	131,738	103,013	28,108	13,351	9,341	285,551

The following table further analyses total loans included within the table above.

Included in performing loans							
Neither past due nor impaired							
- Strong	68,730	75,482	100,687	6,058	9,220	9,251	200,698
- Satisfactory	12,255	51,846	-	20,831	3,866	90	76,633
- Higher risk	54	899	-	239	42	-	1,180
	81,039	128,227	100,687	27,128	13,128	9,341	278,511
Past due but not impaired							
- Up to 30 days past due	247	951	1,586	360	69	-	2,966
– 31–60 days past due	25	32	278	49	16	-	375
– 61–90 days past due	-	200	127	74	-	-	401
	272	1,183	1,991	483	85	-	3,742
Total performing loans	81,311	129,410	102,678	27,611	13,213	9,341	282,253
of which, forborne loans amounting to	2	480	84	31	-	-	595
Included in non-performing loans							
Past due but not impaired							
– 91–120 days past due	-	-	67	-	-	-	67
– 121–150 days past due	-	-	56	-	-	-	56
	-	-	123	-	-	-	123
Individually impaired loans, net of provisions	5	2,484	151	596	140	-	3,371
Total non-performing loans	5	2,484	274	596	140	-	3,494
of the above, forborne loans	4	861	268	186	-	-	1,315

The following table sets out loans held at fair value through profit and loss which are included within the table above

Neither past due nor impaired							
- Strong	2,081	1,451	-	30	-	-	1,481
- Satisfactory	1,056	1,572	-	186	-	-	1,758
- Higher risk	-	7	-	-	-	-	7
	3,137	3,030	-	216	-	-	3,246
Individually impaired loans	-	19	-	-	-	-	19
Total loans held at fair value through profit and loss	3,137	3,049	-	216	-	-	3,265

1 Loans and advances includes reverse repurchase agreements and other similar secured lending for $55,187 million

Standard Chartered Bank
Risk profile

Loans and advances by client segment

Company

	31.12.18						
		Customers					
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customers total $million
Stage 1	23,353	47,150	9,444	7,127	3,506	1,050	68,277
- Strong	15,749	29,540	9,019	1,229	1,207	1,020	42,015
- Satisfactory	7,604	17,610	425	5,898	2,299	30	26,262
Stage 2	381	4,730	607	1,732	395	27	7,491
- Strong	61	610	435	30	335	-	1,410
- Satisfactory	318	3,436	52	1,536	-	27	5,051
- Higher risk	2	684	120	166	60	-	1,030
Of which (stage 2):							
- Less than 30 days past due	*16*	*160*	*52*	*92*	-	-	*304*
- More than 30 days past due	-	*160*	*120*	*51*	*3*	-	*334*
Stage 3, credit-impaired financial assets	-	3,580	175	1,014	233	-	5,002
Gross balance[1]	23,734	55,460	10,226	9,873	4,134	1,077	80,770
Stage 1	(2)	(58)	(77)	(10)	(6)	-	(151)
- Strong	(1)	(14)	(13)	-	(6)	-	(33)
- Satisfactory	(1)	(44)	(64)	(10)	-	-	(118)
Stage 2	-	(109)	(43)	(52)	-	-	(204)
- Strong	-	(21)	(18)	(5)	-	-	(44)
- Satisfactory	-	(23)	(10)	(29)	-	-	(62)
- Higher risk	-	(65)	(15)	(18)	-	-	(98)
Of which (stage 2):							
- Less than 30 days past due	-	*(24)*	*(10)*	*(2)*	-	-	*(36)*
- More than 30 days past due	-	-	*(15)*	*(3)*	-	-	*(18)*
Stage 3, credit-impaired financial assets	-	(2,145)	(91)	(798)	(99)	-	(3,133)
Total credit impairment	(2)	(2,312)	(211)	(860)	(105)	-	(3,488)
Net carrying value	23,732	53,148	10,015	9,013	4,029	1,077	77,282
Stage 1	0.0%	0.1%	0.8%	0.1%	0.2%	0.0%	0.2%
- Strong	0.0%	0.0%	0.1%	0.0%	0.5%	0.0%	0.1%
- Satisfactory	0.0%	0.2%	15.1%	0.2%	-	-	0.4%
Stage 2	0.0%	2.3%	7.1%	3.0%	0.0%	0.0%	2.7%
- Strong	0.0%	3.4%	4.1%	16.7%	0.0%	-	3.1%
- Satisfactory	0.0%	0.7%	19.2%	1.9%	-	0.0%	1.2%
- Higher risk	0.0%	9.5%	12.5%	10.8%	0.0%	-	9.5%
Of which (stage 2):							
- Less than 30 days past due	*0.0%*	*15.0%*	*19.2%*	*2.2%*	-	-	*11.8%*
- More than 30 days past due	-	*0.0%*	*12.5%*	*5.9%*	*0.0%*	-	*5.4%*
Stage 3, credit-impaired financial assets (S3)	-	59.9%	52.0%	78.7%	42.5%	0.0%	62.6%
Cover ratio	0.0%	4.2%	2.1%	8.7%	2.5%	0.0%	4.3%
Fair value through profit or loss							
Performing	20,143	39,449	-	31	-	3	39,483
- Strong	19,007	31,206	-	10	-	3	31,219
- Satisfactory	1,136	8,235	-	21	-	-	8,256
- Higher risk	-	8	-	-	-	-	8
Impaired	-	12	-	5	-	-	17
Gross balance[2]	20,143	39,461	-	36	-	3	39,500
Net carrying value (incl FVTPL)	43,875	92,609	10,015	9,049	4,029	1,080	116,782

1 Loans and advances includes reverse repurchase agreements and other similar secured lending for $1,470 million under Customers and for $26 million under Banks, held at amortised cost.

2 Loans and advances includes reverse repurchase agreements and other similar secured lending for $37,691 million under Customers and for $16,722 million under Banks, held at fair value through profit and loss

Standard Chartered Bank
Risk profile

Loans and advances by client segment

Company

	01.01.18						
		Customers					
Amortised cost	Banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customers total $million
Stage 1	30,665	51,907	9,833	8,295	7,769	6,613	84,417
- Strong	23,024	29,323	9,520	1,553	5,029	6,537	51,962
- Satisfactory	7,641	22,584	313	6,742	2,740	76	32,455
Stage 2	956	9,872	706	1,428	654	-	12,660
- Strong	685	3,121	509	144	647	-	4,421
- Satisfactory	231	5,974	79	1,113	-	-	7,166
- Higher risk	40	777	118	171	7	-	1,073
Of which (stage 2):							
- Less than 30 days past due	*113*	*291*	*79*	*70*	-	-	*440*
- More than 30 days past due	*24*	*163*	*118*	*43*	*5*	-	*329*
Stage 3, credit-impaired financial assets	9	4,870	190	1,118	206	-	6,384
Gross balance[1]	31,630	66,649	10,729	10,841	8,629	6,613	103,461
Stage 1	(3)	(41)	(100)	(11)	(5)	(4)	(161)
- Strong	(2)	(3)	(77)	(1)	(5)	(4)	(90)
- Satisfactory	(1)	(38)	(23)	(10)	-	-	(71)
Stage 2	(1)	(219)	(62)	(52)	(1)	-	(334)
- Strong	(1)	(7)	(34)	-	(1)	-	(42)
- Satisfactory	-	(111)	(10)	(36)	-	-	(157)
- Higher risk	-	(101)	(18)	(16)	-	-	(135)
Of which (stage 2):							
- Less than 30 days past due	-	*(39)*	*(10)*	*(11)*	-	-	*(60)*
- More than 30 days past due	-	*(41)*	*(18)*	*(7)*	-	-	*(66)*
Stage 3, credit-impaired financial assets	(4)	(3,087)	(98)	(830)	(90)	-	(4,105)
Total credit impairment	(8)	(3,347)	(260)	(893)	(96)	(4)	(4,600)
Net carrying value	31,622	63,302	10,469	9,948	8,533	6,609	98,861
ECL coverage							
Stage 1	0.0%	0.1%	1.0%	0.1%	0.1%	0.1%	0.2%
- Strong	0.0%	0.0%	0.8%	0.1%	0.1%	0.1%	0.2%
- Satisfactory	0.0%	0.2%	7.3%	0.1%	0.0%	0.0%	0.2%
Stage 2	0.1%	2.2%	8.8%	3.6%	0.2%	-	2.6%
- Strong	0.1%	0.2%	6.7%	0.0%	0.2%	-	1.0%
- Satisfactory	0.0%	1.9%	12.7%	3.2%	-	-	2.2%
- Higher risk	0.0%	13.0%	15.3%	9.4%	0.0%	-	12.6%
Of which (stage 2):							
- Less than 30 days past due	*0.0%*	*13.4%*	*12.7%*	*15.7%*	-	-	*13.6%*
- More than 30 days past due	*0.0%*	*25.2%*	*15.3%*	*16.3%*	*0.0%*	-	*14.6%*
Stage 3, credit-impaired financial assets (S3)	44.4%	63.4%	51.6%	74.2%	43.7%	-	64.3%
Cover ratio	0.0%	5.0%	2.4%	8.2%	1.1%	0.1%	4.4%
Fair value through profit or loss							
Performing	18,577	31,249	-	217	-	-	31,466
- Strong	15,754	21,879	-	68	-	-	21,947
- Satisfactory	2,823	9,363	-	149	-	-	9,512
- Higher risk	-	7	-	-	-	-	7
Impaired	-	59	-	4	-	-	63
Gross balance[2]	18,577	31,308	-	221	-	-	31,529
Net carrying value (incl FVTPL)	50,199	94,610	10,469	10,169	8,533	6,609	130,390

1 Loans and advances includes reverse repurchase agreements and other similar secured lending for $2,728 million under Customers and for $22 million under Banks, held at amortised cost.

2 Loans and advances includes reverse repurchase agreements and other similar secured lending for $29,326 million under Customers and for $16,031 million under Banks, held at fair value through profit and loss.

Standard Chartered Bank
Risk profile

Loans and advances by client segment

Company

	31.12.17 (IAS 39)						
		Customers					
	Banks[1] $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Customers total[1] $million
Performing loans							
- Strong	39,466	54,320	10,031	1,760	5,677	6,533	78,321
- Satisfactory	10,692	37,924	388	8,008	2,702	79	49,101
- Higher risk	42	784	115	174	42	-	1,115
	50,200	93,028	10,534	9,942	8,421	6,612	128,537
Impaired forborne loans, net of provisions	-	-	19	-	-	-	19
Non-performing loans, net of provisions	5	1,888	101	293	140	-	2,422
Total loans	50,205	94,916	10,654	10,235	8,561	6,612	130,978
Portfolio impairment provision	(1)	(126)	(66)	(61)	(1)	-	(254)
Total net loans	50,204	94,790	10,588	10,174	8,560	6,612	130,724
The following table further analyses total loans included within the table							
Included in performing loans							
Neither past due nor impaired							
- Strong	39,378	54,142	10,031	1,760	5,677	6,533	78,143
- Satisfactory	10,639	37,228	-	7,754	2,620	79	47,681
- Higher risk	42	666	-	114	42	-	822
	50,059	92,036	10,031	9,628	8,339	6,612	126,646
Past due but not impaired							
– Up to 30 days past due	117	827	388	269	66	-	1,550
– 31–60 days past due	24	11	67	31	16	-	125
– 61–90 days past due	-	154	48	14	-	-	216
	141	992	503	314	82	-	1,891
Total performing loans	50,200	93,028	10,534	9,942	8,421	6,612	128,537
of which, forborne loans amounting to	2	465	9	30	-	-	504
Included in non-performing loans							
Past due but not impaired							
– 91–120 days past due	-	-	25	-	-	-	25
–121–150 days past due	-	-	25	-	-	-	25
	-	-	50	-	-	-	50
Individually impaired loans, net of provisions	5	1,888	51	293	140	-	2,372
Total non-performing loans	5	1,888	101	293	140	-	2,422
of the above, forborne loans	4	736	7	74	-	-	817
The following table sets out loans held at fair value through profit and loss which are included within the table above							
Neither past due nor impaired							
- Strong	1,654	784	-	-	-	-	784
- Satisfactory	1,056	1,415	-	128	-	-	1,543
- Higher risk	-	7	-	-	-	-	7
	2,710	2,206	-	128	-	-	2,334
Individually impaired loans	-	19	-	-	-	-	19
Total loans held at fair value through profit and loss	2,710	2,225	-	128	-	-	2,353

1 Loans and advances includes reverse repurchase agreements and other similar secured lending for $48,108 million

Standard Chartered Bank
Risk profile

Credit quality by geographic region (unaudited)

The following table sets out the credit quality for gross loans and advances to customers and banks, held at amortised cost, by geographic region and stage.

Loans and advances to customers

Group

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	31.12.18				
Stage 1	**118,422**	**71,169**	**23,598**	**23,918**	**237,107**
Stage 2	**4,139**	**7,628**	**5,112**	**549**	**17,428**
Gross stage 1 & stage 2 balance	**122,561**	**78,797**	**28,710**	**24,467**	**254,535**
Stage 3, credit-impaired financial assets	**777**	**2,730**	**2,573**	**846**	**6,926**
Gross loans[1]	**123,338**	**81,527**	**31,283**	**25,313**	**261,461**

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	01.01.18				
Stage 1	114,990	70,594	23,120	19,779	228,483
Stage 2	5,796	7,578	4,766	2,445	20,585
Gross stage1 & stage 2 balance	120,786	78,172	27,886	22,224	249,068
Stage 3, credit-impaired financial assets[2]	806	4,248	2,657	1,058	8,769
Gross loans[1]	121,592	82,420	30,543	23,282	257,837

1 Amounts gross of expected credit losses. Includes reverse repurchase agreements and other similar secured lending
2 Amounts do not include those purchased or originated credit-impaired financial asset

Amortised cost and FVTPL	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	31.12.17 (IAS 39)				
Neither past due nor individually impaired	125,565	79,175	27,774	45,997	278,511
Past due but not individually impaired	809	1,711	1,153	192	3,865
Individually impaired	806	4,233	2,654	1,184	8,877
Individual impairment provision	(312)	(2,361)	(1,858)	(706)	(5,237)
Portfolio impairment provisions	(129)	(179)	(121)	(36)	(465)
Net carrying value[1]	126,739	82,579	29,602	46,631	285,551

1 Excludes impairment charges relating to debt securities classified as loans and receivables, refer to Note 8 to the financial statements for details (page 205)

Company

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	31.12.18				
Stage 1	**2,521**	**16,859**	**9,629**	**39,268**	**68,277**
Stage 2	**328**	**2,530**	**1,676**	**2,957**	**7,491**
Gross stage 1 & stage 2 balance	**2,849**	**19,389**	**11,305**	**42,225**	**75,768**
Stage 3, Credit-impaired financial assets	**-**	**1,879**	**1,686**	**1,437**	**5,002**
Gross loans[1]	**2,849**	**21,268**	**12,991**	**43,662**	**80,770**

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	01.01.18				
Stage 1	3,158	43,338	18,119	19,802	84,417
Stage 2	367	6,033	3,821	2,439	12,660
Gross stage1 & stage 2 balance	3,525	49,371	21,940	22,241	97,077
Stage 3, credit-impaired financial assets[2]	-	3,487	1,965	932	6,384
Gross loans[1]	3,525	52,858	23,905	23,173	103,461

1 Amounts gross of expected credit losses. Includes reverse repurchase agreements and other similar secured lending
2 Amounts do not include those purchased or originated credit-impaired financial asset

Amortised cost and FVTPL	31.12.17 (IAS 39) Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Neither past due nor individually impaired	7,863	50,785	22,042	45,956	126,646
Past due but not individually impaired	-	963	786	192	1,941
Individually impaired	-	3,461	1,959	1,088	6,508
Individual impairment provision	-	(2,034)	(1,397)	(686)	(4,117)
Portfolio impairment provisions	(1)	(128)	(57)	(68)	(254)
Net carrying value[1]	7,862	53,047	23,333	46,482	130,724

1 Excludes impairment charges relating to debt securities classified as loans and receivables, refer to Note 8 of the financial statements for details (page 205)

Loans and advances to banks

Group

Amortised cost	31.12.18 Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Stage 1	**27,801**	**11,095**	**5,374**	**16,077**	**60,347**
Stage 2	**59**	**582**	**199**	**230**	**1,070**
Gross stage1 & stage2 balance	**27,860**	**11,677**	**5,573**	**16,307**	**61,417**
Stage 3, credit-impaired financial assets	**-**	**-**	**-**	**-**	**-**
Gross loans[1]	**27,860**	**11,677**	**5,573**	**16,307**	**61,417**

Amortised cost	01.01.18 Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Stage 1	28,792	11,853	4,380	14,891	59,916
Stage 2	1,212	557	169	432	2,370
Gross stage 1 & stage 2 balance	30,004	12,410	4,549	15,323	62,286
Stage 3, credit-impaired financial assets[2]	-	-	-	9	9
Gross loans[1]	30,004	12,410	4,549	15,332	62,295

1 Amounts gross of expected credit losses. Includes reverse repurchase agreements and other similar secured lending
2 Amounts do not include those purchased or originated credit-impaired financial assets

Amortised cost and FVTPL	31.12.17 (IAS 39) Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Neither past due nor individually impaired	33,096	16,482	7,328	24,133	81,039
Past due but not individually impaired	130	41	101	-	272
Individually impaired	-	-	-	9	9
Individual impairment provision	-	-	-	(4)	(4)
Portfolio impairment provision	-	-	(1)	-	(1)
Net carrying value[1]	33,226	16,523	7,428	24,138	81,315

1 Excludes impairment charges relating to debt securities classified as loans and receivables, refer to Note 8 of the financial statements for details (page 205)

Company

Amortised cost	31.12.18 Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Stage 1	**1,124**	**1,850**	**3,774**	**16,605**	**23,353**
Stage 2	**5**	**111**	**44**	**221**	**381**
Gross stage 1 & stage 2 balance	**1,129**	**1,961**	**3,818**	**16,826**	**23,734**
Stage 3, credit-impaired financial assets	**-**	**-**	**-**	**-**	**-**
Gross loans[1]	**1,129**	**1,961**	**3,818**	**16,826**	**23,734**

Standard Chartered Bank
Risk profile

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	01.01.18				
Stage 1	1,830	10,419	3,980	14,436	30,665
Stage 2	2	416	120	418	956
Gross stage 1 & stage 2 balance	1,832	10,835	4,100	14,854	31,621
Stage 3, credit-impaired financial assets[2]	-	-	-	9	9
Gross loans[1]	1,832	10,835	4,100	14,863	31,630

1 Amounts gross of expected credit losses. Includes reverse repurchase agreements and other similar secured lending
2 Amounts do not include those purchased or originated credit-impaired financial assets

Amortised cost and FVTPL	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	31.12.17 (IAS 39)				
Neither past due nor individually impaired	5,008	14,801	6,763	23,487	50,059
Pastdue but not individually impaired	-	40	101	-	141
Individually impaired	-	-	-	9	9
Individual impairment provision	-	-	-	(4)	(4)
Portfolio impairment provision	-	-	(1)	-	(1)
Net carrying value[1]	5,008	14,841	6,863	23,492	50,204

1 Excludes impairment charges relating to debt securities classified as loans and receivables, refer to Note 8 of the financial statements for details (page 205)

Credit quality by industry (unaudited)

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.

The Group has reduced exposures across the energy and construction sectors primarily within stage 2 and stage 3 while increasing exposures in stage 1 across manufacturing, government and financing, insurance and non-banking.

Standard Chartered Bank
Risk profile

Group

	31.12.18											
	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	14,536	(18)	14,518	2,198	(46)	2,152	890	(553)	337	17,624	(617)	17,007
Manufacturing	21,627	(23)	21,604	1,932	(86)	1,846	719	(530)	189	24,278	(639)	23,639
Financing, insurance and non-banking	20,419	(7)	20,412	379	(10)	369	225	(119)	106	21,023	(136)	20,887
Transport, telecom and utilities	12,975	(21)	12,954	2,495	(25)	2,470	818	(474)	344	16,288	(520)	15,768
Food and household products	7,558	(7)	7,551	1,851	(15)	1,836	718	(376)	342	10,127	(398)	9,729
Commercial real estate	13,516	(16)	13,500	1,294	(24)	1,270	341	(79)	262	15,151	(119)	15,032
Mining and quarrying	4,845	(7)	4,838	1,047	(29)	1,018	439	(309)	130	6,331	(345)	5,986
Consumer durables	7,328	(5)	7,323	906	(13)	893	534	(348)	186	8,768	(366)	8,402
Construction	2,565	(4)	2,561	512	(22)	490	636	(385)	251	3,713	(411)	3,302
Trading companies and distributors	2,512	(2)	2,510	385	(2)	383	353	(239)	114	3,250	(243)	3,007
Government	13,487	-	13,487	250	-	250	-	-	-	13,737	-	13,737
Other	4,640	(8)	4,632	557	(11)	546	186	(149)	37	5,383	(168)	5,215
Retail Products:												
Mortgage	73,437	(9)	73,428	1,936	(9)	1,927	343	(98)	245	75,716	(116)	75,600
CCPL and other unsecured lending	16,622	(277)	16,345	560	(117)	443	437	(263)	174	17,619	(657)	16,962
Auto	670	(2)	668	4	-	4	1	-	1	675	(2)	673
Secured wealth products	17,074	(18)	17,056	825	(5)	820	236	(112)	124	18,135	(135)	18,000
Other	3,296	(2)	3,294	297	(2)	295	50	(23)	27	3,643	(27)	3,616
Net carrying value (customers)[1]	237,107	(426)	236,681	17,428	(416)	17,012	6,926	(4,057)	2,869	261,461	(4,899)	256,562

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

Standard Chartered Bank
Risk profile

Group

	01.01.18											
	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	14,676	(15)	14,661	3,055	(78)	2,977	1,442	(913)	529	19,173	(1,006)	18,167
Manufacturing	18,848	(9)	18,839	3,254	(77)	3,177	801	(614)	187	22,903	(700)	22,203
Financing, insurance and non-banking	18,275	(17)	18,258	1,341	(9)	1,332	403	(179)	224	20,019	(205)	19,814
Transport, telecom and utilities	12,483	(11)	12,472	3,028	(89)	2,939	753	(397)	356	16,264	(497)	15,767
Food and household products	7,707	(7)	7,700	1,933	(41)	1,892	757	(423)	334	10,397	(471)	9,926
Commercial real estate	13,452	(16)	13,436	919	(41)	878	385	(44)	341	14,756	(101)	14,655
Mining and quarrying	5,046	(3)	5,043	1,038	(11)	1,027	952	(674)	278	7,036	(688)	6,348
Consumer durables	7,108	(4)	7,104	1,155	(18)	1,137	728	(553)	175	8,991	(575)	8,416
Construction	2,546	(3)	2,543	792	(31)	761	786	(493)	293	4,124	(527)	3,597
Trading companies and distributors	1,862	(1)	1,861	290	2	292	463	(336)	127	2,615	(335)	2,280
Government	9,521	(1)	9,520	78	(1)	77	6	(1)	5	9,605	(3)	9,602
Other	4,507	(7)	4,500	781	(11)	770	268	(175)	93	5,556	(193)	5,363
Retail Products:												
Mortgage	77,858	(8)	77,850	758	-	758	280	(131)	149	78,896	(139)	78,757
CCPL and other unsecured lending	15,959	(337)	15,622	685	(163)	522	505	(234)	271	17,149	(734)	16,415
Auto	626	(3)	623	6	(1)	5	1	-	1	633	(4)	629
Secured wealth products	13,301	(14)	13,287	720	(1)	719	197	(93)	104	14,218	(108)	14,110
Other	4,708	(16)	4,692	752	(6)	746	42	(22)	20	5,502	(44)	5,458
Net carrying value (customers)[1]	228,483	(472)	228,011	20,585	(576)	20,009	8,769	(5,282)	3,487	257,837	(6,330)	251,507

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

Standard Chartered Bank
Risk profile

Group

	31.12.17 (IAS 39)								
						Movements in impairment			
Amortised cost and FVTPL	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired $million	Individual impairment provision $million	Total $million	Individual impairment provision held as at 1 Jan 2017 $million	Net impairment charge/(release) $million	Amounts written off/other movements $million	Individual impairment provision held as at 31 Dec 2017 $million
Industry:									
Energy	18,090	116	1,217	(879)	18,544	814	208	(143)	879
Manufacturing	22,085	397	860	(611)	22,731	644	250	(283)	611
Financing, insurance and non-banking	44,439	314	444	(213)	44,984	409	79	(275)	213
Transport, telecom and utilities	15,640	121	777	(376)	16,162	218	230	(72)	376
Food and household products	9,543	179	756	(422)	10,056	561	75	(214)	422
Commercial real estate	14,574	199	400	(34)	15,139	33	9	(8)	34
Mining and quarrying	6,063	64	1,297	(783)	6,641	1,138	26	(383)	781
Consumer durables	8,792	132	725	(583)	9,066	523	124	(64)	583
Construction	3,346	60	781	(484)	3,703	553	59	(128)	484
Trading companies and distributors	2,155	43	458	(331)	2,325	310	46	(25)	331
Government	14,390	25	6	(1)	14,420	-	(1)	2	1
Other	5,579	16	252	(176)	5,671	197	37	(54)	180
Retail Products:					-				
Mortgage	77,279	1,340	276	(117)	78,778	104	34	(21)	117
CCPL and other unsecured lending	16,700	610	360	(135)	17,535	140	398	(405)	133
Auto	588	45	-	-	633	-	1	(1)	-
Secured wealth products	13,969	57	198	(70)	14,154	4	28	38	70
Other	5,279	147	70	(22)	5,474	19	19	(16)	22
Gross carrying value (customers)[1]	278,511	3,865	8,877	(5,237)	286,016				
Individual impairment provision						5,667	1,622	(2,052)	5,237
Portfolio impairment provision					(465)	687	(239)	17	465
Net carrying value (customers)					285,551	6,354	1,383	(2,035)	5,702

1 Includes loans held at fair value through profit or loss ($2,918 million) and reverse repurchase agreements held at amortised cost ($33,581 million) and fair value through profit or loss ($347 million)

Standard Chartered Bank
Risk profile

Company

	31.12.18											
	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	9,905	(18)	9,887	1,310	(21)	1,289	789	(529)	260	12,004	(568)	11,436
Manufacturing	9,622	(14)	9,608	876	(41)	835	487	(394)	93	10,985	(449)	10,536
Financing, insurance and non-banking	9,790	(4)	9,786	176	(5)	171	210	(106)	104	10,176	(115)	10,061
Transport, telecom and utilities	6,511	(10)	6,501	1,347	(20)	1,327	717	(409)	308	8,575	(439)	8,136
Food and household products	4,112	(4)	4,108	577	(6)	571	456	(267)	189	5,145	(277)	4,868
Commercial real estate	3,476	(3)	3,473	524	(12)	512	314	(72)	242	4,314	(87)	4,227
Mining and quarrying	2,500	(5)	2,495	694	(27)	667	276	(224)	52	3,470	(256)	3,214
Consumer durables	2,293	(2)	2,291	408	(9)	399	327	(240)	87	3,028	(251)	2,777
Construction	1,358	(2)	1,356	226	(13)	213	585	(353)	232	2,169	(368)	1,801
Trading companies and distributors	302	(1)	301	98	(1)	97	269	(204)	65	669	(206)	463
Government	3,348	(1)	3,347	94	-	94	-	-	-	3,442	(1)	3,441
Other	2,110	(4)	2,106	159	(5)	154	163	(145)	18	2,432	(154)	2,278
Retail Products:												
Mortgage	5,392	(5)	5,387	445	(2)	443	152	(55)	97	5,989	(62)	5,927
CCPL and other unsecured lending	2,849	(67)	2,782	181	(40)	141	37	(31)	6	3,067	(138)	2,929
Auto	161	(1)	160	2	-	2	1	-	1	164	(1)	163
Secured wealth products	3,984	(10)	3,974	373	(2)	371	219	(104)	115	4,576	(116)	4,460
Other	564	-	564	1	-	1	-	-	-	565	-	565
Net carrying value (customers)[1]	68,277	(151)	68,126	7,491	(204)	7,287	5,002	(3,133)	1,869	80,770	(3,488)	77,282

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $1,470 million

Standard Chartered Bank
Risk profile

Company

	01.01.18											
	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	11,892	(13)	11,879	2,735	(51)	2,684	1,259	(844)	415	15,886	(908)	14,978
Manufacturing	8,616	(8)	8,608	1,598	(43)	1,555	543	(445)	98	10,757	(496)	10,261
Financing, insurance and non-banking	11,471	(12)	11,459	889	(8)	881	382	(164)	218	12,742	(184)	12,558
Transport, telecom and utilities	7,146	(8)	7,138	1,950	(64)	1,886	546	(320)	226	9,642	(392)	9,250
Food and household products	4,666	(3)	4,663	1,323	(16)	1,307	546	(349)	197	6,535	(368)	6,167
Commercial real estate	5,543	(3)	5,540	457	(35)	422	247	(7)	240	6,247	(45)	6,202
Mining and quarrying	3,207	(2)	3,205	657	(10)	647	642	(477)	165	4,506	(489)	4,017
Consumer durables	3,156	(2)	3,154	454	(13)	441	542	(435)	107	4,152	(450)	3,702
Construction	1,487	(1)	1,486	440	(23)	417	712	(448)	264	2,639	(472)	2,167
Trading companies and distributors	683	-	683	152	(1)	151	385	(282)	103	1,220	(283)	937
Government	6,500	(1)	6,499	78	(1)	77	-	-	-	6,578	(2)	6,576
Other	2,450	(2)	2,448	569	(8)	561	182	(147)	35	3,201	(157)	3,044
Retail Products:												
Mortgage	5,687	(4)	5,683	356	(3)	353	125	(58)	67	6,168	(65)	6,103
CCPL and other unsecured lending	2,917	(86)	2,831	316	(56)	260	55	(39)	16	3,288	(181)	3,107
Auto	242	(3)	239	4	-	4	1	-	1	247	(3)	244
Secured wealth products	6,492	(5)	6,487	653	(1)	652	193	(89)	104	7,338	(95)	7,243
Other	2,262	(8)	2,254	29	(1)	28	24	(1)	23	2,315	(10)	2,305
Net carrying value (customers)[1]	84,417	(161)	84,256	12,660	(334)	12,326	6,384	(4,105)	2,279	103,461	(4,600)	98,861

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $2,729 million

Standard Chartered Bank
Risk profile

Company

	31.12.17 (IAS 39)								
						Movements in impairment			
Amortised cost and FVTPL	Neither past due nor individually impaired $million	Past due but not individually impaired $million	Individually impaired $million	Individual impairment provision $million	Total $million	Individual impairment provision held as at 1 Jan 2017 $million	Net impairment charge/(release) $million	Amounts written off/other movements $million	Individual impairment provision held as at 31 Dec 2017 $million
Industry:									
Energy	15,020	73	1,043	(811)	15,325	751	180	(120)	811
Manufacturing	10,353	259	560	(448)	10,724	387	210	(149)	448
Financing, insurance and non-banking	36,958	309	424	(198)	37,493	274	80	(156)	198
Transport, telecom and utilities	9,111	101	581	(300)	9,493	168	190	(58)	300
Food and household products	5,890	107	542	(335)	6,204	449	52	(166)	335
Commercial real estate	5,876	184	263	(14)	6,309	5	12	(3)	14
Mining and quarrying	3,747	37	919	(529)	4,174	794	24	(289)	529
Consumer durables	3,904	127	539	(465)	4,105	372	100	(7)	465
Construction	1,937	54	710	(441)	2,260	511	53	(123)	441
Trading companies and distributors	818	16	385	(285)	934	278	35	(28)	285
Government	11,370	25	-	-	11,395	-	-	-	-
Other	3,292	14	190	(149)	3,347	179	28	(59)	148
Retail Products:					-				
Mortgage	5,732	333	111	(57)	6,119	48	9	(2)	55
CCPL and other unsecured lending	3,099	153	30	(8)	3,274	4	124	(121)	7
Auto	236	11	-	-	247	-	3	(3)	-
Secured wealth products	7,107	37	192	(66)	7,270	3	63	-	66
Other	2,196	101	19	(11)	2,305	9	3	(1)	11
Gross carrying value (customers)[1]	126,646	1,941	6,508	(4,117)	130,978				
Individual impairment provision						4,232	1,166	(1,285)	4,113
Portfolio impairment provision					(254)	392	(142)	4	254
Net carrying value (customers)					130,724	4,624	1,024	(1,281)	4,367

1 Includes loans held at fair value through profit or loss ($2,006 million) and reverse repurchase agreements held at amortised cost ($31,707 million) and fair value through profit or loss ($347 million)

Standard Chartered Bank
Risk profile

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

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 committed facilities, undrawn cancellable facilities, debt securities classified at amortised cost and FVOCI and financial guarantees. The tables are presented for the Group, and the Corporate & Institutional Banking, Commercial Banking and Retail Banking segments.

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.

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 specific provisions recognised on individual assets transferred into stage 3 in the year

-> **Net changes in exposures** – comprises 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 Early Alert Non Purely Precautionary (EANPP), 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 specific provisions reported on exposures that were held within stage 3 at the beginning of the year

Movements during the year

Stage 1 expected credit loss provisions reduced from $576 million to $531 million while gross exposures increased from $566 billion to $592 billion. Stage 2 expected credit loss provisions declined from $742 million to $500 million as gross exposures reduced from $52 billion to $42 billion.

For Corporate & Institutional Banking and Commercial Banking businesses, the gross balances in stage 1 primarily due to new business written within CIB which contributed to the increase in stage 1 provisions offset by improvements in credit quality across the portfolio. Within stage 2 gross balances and credit impairment provisions both declined compared with 1 January 2018, largely driven by a lower level of exposures within CIB on non-purely precautionary early alert, which either repaid or transferred back to stage 1.

Retail Banking stage 1 exposures increased driven by increased lending of secured wealth products, which along with portfolio quality improvements resulted in stage 1 provisions reducing. Stage 2 exposures increased largely due to increased inflows of mortgages, which contributed to the reduction in stage 2 provisions although this was partly offset by an increase in provisions from 'Changes in risk parameters' within stage 2 reflecting the normal flow of accounts and is not in itself an indicator that there is a significant weakness in the portfolio.

Across both stage 1 and stage 2 for all segments, the improvement in macroeconomic forecasts during the year reduced stage 1 and 2 provisions by $42 million within an overall benign environment.

At 31 December 2018, approximately 35 per cent of the portfolio was held in stage 2 as a result of meeting the PD significant increase in credit risk thresholds, 24 per cent as a result of having "higher risk" credit quality, 13 per cent due to being on non-purely precautionary early alert, 11 per cent more than 30 days past due with the remainder primarily to Private Banking and other factors.

Stage 3 exposures fell from $9.2 billion at 1 January 2018 to $7.6 billion at 31 December, primarily due to repayments and write-offs within CIB and CB, and this was also reflected in lower stage 3 provisions, which fell from $5.6 billion at 1 January 2018 to $4.4 billion at 31 December 2018.

Standard Chartered Bank

Risk profile

Group	Stage 1			Stage 2			Stage 3			Total		
All segments	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net
Amortised cost and FVOCI	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
As at 1 January 2018	**565,804**	**(576)**	**565,228**	**52,387**	**(742)**	**51,645**	**9,198**	**(5,576)**	**3,622**	**627,389**	**(6,894)**	**620,495**
Transfers to stage 1	59,776	(627)	**59,149**	(59,776)	627	**(59,149)**	-	-	**-**	-	-	**-**
Transfers to stage 2	(73,589)	136	**(73,453)**	73,809	(136)	**73,673**	(220)	-	**(220)**	-	-	**-**
Transfers to stage 3	(293)	7	**(286)**	(2,338)	264	**(2,074)**	2,631	(271)	**2,360**	-	-	**-**
Net change in exposures	50,256	(282)	**49,974**	(20,314)	94	**(20,220)**	(1,836)	527	**(1,309)**	28,106	339	**28,445**
Net remeasurement from stage changes	-	139	**139**	-	(136)	**(136)**	-	(529)	**(529)**	-	(526)	**(526)**
Changes in risk parameters	-	468	**468**	-	(275)	**(275)**	-	(971)	**(971)**	-	(778)	**(778)**
Write-offs	-	-	**-**	-	-	**-**	(2,075)	2,075	**-**	(2,075)	2,075	**-**
Exchange translation differences and other movements[1]	(9,470)	204	**(9,266)**	(1,445)	(196)	**(1,641)**	(110)	325	**215**	(11,025)	333	**(10,692)**
As at 31 December 2018	**592,484**	**(531)**	**591,953**	**42,323**	**(500)**	**41,823**	**7,588**	**(4,420)**	**3,168**	**642,395**	**(5,451)**	**636,944**
Income statement ECL (charge)/release		325			(317)			(973)			(965)	
Recoveries of amounts previously written off								312			312	
Total credit impairment (charge)/release		**325**			**(317)**			**(661)**			**(653)**	

1 Includes fair value adjustments and amortisation on debt securities

Standard Chartered Bank
Risk profile

Company All segments 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 2018	**284,207**	**(226)**	**283,981**	**27,864**	**(435)**	**27,429**	**6,523**	**(4,174)**	**2,349**	**318,594**	**(4,835)**	**313,759**
Transfers to stage 1	36,512	(258)	**36,254**	(36,512)	258	**(36,254)**	-	-	**-**	-	-	**-**
Transfers to stage 2	(39,385)	58	**(39,327)**	39,504	(58)	**39,446**	(119)	-	**(119)**	-	-	**-**
Transfers to stage 3	(579)	4	**(575)**	(1,008)	115	**(893)**	1,587	(119)	**1,468**	-	-	**-**
Net change in exposures	20,354	(127)	**20,227**	(6,672)	47	**(6,625)**	(1,088)	342	**(746)**	12,594	262	**12,856**
Net remeasurement from stage changes	-	66	**66**	-	(63)	**(63)**	-	(400)	**(400)**	-	(397)	**(397)**
Changes in risk parameters	-	59	**59**	-	(2)	**(2)**	-	(592)	**(592)**	-	(535)	**(535)**
Write-offs	-	-	**-**	-	-	**-**	(1,437)	1,437	**-**	(1,437)	1,437	**-**
Exchange translation differences and other movements[1]	(39,833)	218	**(39,615)**	(4,084)	(109)	**(4,193)**	(49)	217	**168**	(43,966)	326	**(43,640)**
As at 31 December 2018[2]	**261,276**	**(206)**	**261,070**	**19,092**	**(247)**	**18,845**	**5,417**	**(3,289)**	**2,128**	**285,785**	**(3,742)**	**282,043**
Income statement ECL (charge)/release		(2)			(18)			(650)			(670)	
Recoveries of amounts previously written off								128			128	
Total credit impairment (charge)/release		**(2)**			**(18)**			**(522)**			**(542)**	

1 Includes fair value adjustments and amortisation on debt securities

2 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $12,025 million (1 Jan 2018: $16,626 million). The amounts are held within stage 1 at 31 December 2018 and 1 January 2018 and is net of an expected credit loss provision at 31 December 2018 of $28 million

Standard Chartered Bank
Risk profile

Credit impairment charge

The total ongoing credit impairment charge decreased significantly to $740 million in 2018 (2017: $1.2 billion), down 38 per cent primarily due to improvements in portfolio quality driven by significant actions taken since 2016 to improve the Group's credit quality.

The ongoing business credit impairment charge in Corporate & Institutional Banking of $229 million for 2018 is 65 per cent lower than 2017. This was due to lower stage 3 impairment which was driven by lower losses particularly in ASEAN & South Asia and recoveries from a small number of major exposures in India and the Middle East.

Commercial Banking ongoing business credit impairment charge increased by 45 per cent (2018: $244 million, 2017 $168 million) compared to 2017, which saw a release of $63 million of portfolio impairment provisions held against certain sectors of the portfolios that were no longer required. Africa & Middle East contributed to 60 per cent of the full-year 2018 charge.

Retail Banking credit impairment reduced 29 per cent to $267 million at 31 December 2018 (31 December 2017: $374 million), mainly driven by continued improvement in portfolio shape and performance, particularly within the unsecured portfolios, as well as one-off provision releases in Korea and Indonesia.

Stage 3 reductions were partly offset by lower releases of $12 million in stage 1 and 2 compared to Portfolio Impairment Provisions (PIP under IAS 39) as 2017 benefited from material releases of PIP specific risk adjustments of $190 million.

In the liquidation portfolio, there was a net release of $79 million due to loan disposals and repayments.

	31.12.18 **$million (IFRS 9)**	31.12.17 $million (IAS 39)
Ongoing business portfolio		
Corporate & Institutional Banking	**229**[1]	657
Retail Banking	**267**	374
Commercial Banking	**244**	168
Private Banking	**-**	1
Credit impairment charge	**740**	1,200
Restructuring business portfolio		
Liquidation portfolio	**(79)**	120
Others	**(8)**	21
Credit impairment charge	**(87)**	141
Total credit impairment charge	**653**	1,341

1 Credit impairment recovery of $13 million in Central & other items is included in Corporate & Institutional Banking

Standard Chartered Bank
Risk profile

Problem credit management and provisioning

Forborne and other modified loans by client segment

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 stage 2 and stage 3 loans with forbearance measures by segment.

Group

Amortised cost	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
	31.12.18						
All loans with forbearance measures	-	1,445	376	709	-	-	2,530
Credit impairment (stage 3)	-	(517)	(174)	(427)	-	-	(1,118)
Net carrying value	-	928	202	282	-	-	1,412
Included within the above table							
Gross performing forborne loans	-	286	23	71	-	-	380
Modification of terms and conditions[1]	-	273	23	64	-	-	360
Refinancing[2]	-	13	-	7	-	-	20
Collateral	-	16	23	28	-	-	67
Gross non-performing forborne loans	-	1,159	353	638	-	-	2,150
Modification of terms and conditions[1]	-	1,093	353	610	-	-	2,055
Refinancing[2]	-	67	-	28	-	-	95
Impairment provisions	-	(517)	(174)	(427)	-	-	(1,118)
Modification of terms and conditions[1]	-	(489)	(174)	(409)	-	-	(1,072)
Refinancing[2]	-	(28)	-	(18)	-	-	(46)
Net non-performing forborne loans	-	642	179	211	-	-	1,032
Collateral	-	225	163	107	-	-	495

Amortised cost	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
	01.01.18						
All loans with forbearance measures	6	2,143	797	612	-	-	3,558
Credit impairment (stage 3)	-	(802)	(176)	(394)	-	-	(1,372)
Net balance	6	1,341	621	218	-	-	2,186
Included within the above table							
Gross performing forborne loans	2	480	353	31	-	-	866
Modification of terms and conditions[1]	2	480	353	28	-	-	863
Refinancing[2]	-	-	-	3	-	-	3
Collateral	-	4	2	-	-	-	6
Gross non-performing forborne loans	4	1,663	384	581	-	-	2,632
Modification of terms and conditions[1]	4	1,314	384	524	-	-	2,226
Refinancing[2]	-	349	-	57	-	-	406
Impairment provisions	-	(802)	(116)	(394)	-	-	(1,312)
Modification of terms and conditions[1]	-	(554)	(116)	(364)	-	-	(1,034)
Refinancing[2]	-	(248)	-	(30)	-	-	(278)
Net non-performing forborne loans	4	861	268	187	-	-	1,320
Collateral	-	52	20	34	-	-	106

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

Standard Chartered Bank
Risk profile

	31.12.17 (IAS 39)						
	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
All loans with forbearance measures	6	2,143	797	647	-	-	3,593
Accumulated impairment	-	(802)	(176)	(430)	-	-	(1,408)
Net balance	6	1,341	621	217	-	-	2,185
Included within the above table							
Gross performing forborne loans	2	480	353	31	-	-	866
Modification of terms and conditions[1]	2	480	353	28	-	-	863
Refinancing[2]	-	-	-	3	-	-	3
Collateral	-	4	2	-	-	-	6
Gross non-performing forborne loans	4	1,663	384	616	-	-	2,667
Modification of terms and conditions[1]	4	1,314	384	559	-	-	2,261
Refinancing[2]	-	349	-	57	-	-	406
Impairment provisions	-	(802)	(116)	(430)	-	-	(1,348)
Modification of terms and conditions[1]	-	(554)	(116)	(400)	-	-	(1,070)
Refinancing[2]	-	(248)	-	(30)	-	-	(278)
Net non-performing forborne Loans	4	861	268	186	-	-	1,319
Collateral	-	52	20	34	-	-	106

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

	31.12.18						
Amortised cost	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
All loans with forbearance measures	-	1,109	-	284	-	-	1,393
Credit impairment (stage 3)	-	(482)	-	(200)	-	-	(682)
Net carrying value	-	627	-	84	-	-	711
Included within the above table							
Gross performing forborne loans	-	150	-	31	-	-	181
Modification of terms and conditions[1]	-	137	-	24	-	-	161
Refinancing[2]	-	13	-	7	-	-	20
Collateral	-	5	-	1	-	-	6
Gross non-performing forborne loans	-	959	-	253	-	-	1,212
Modification of terms and conditions[1]	-	907	-	243	-	-	1,150
Refinancing[2]	-	52	-	10	-	-	62
Impairment provisions	-	(482)	-	(200)	-	-	(682)
Modification of terms and conditions[1]	-	(461)	-	(190)	-	-	(651)
Refinancing[2]	-	(21)	-	(10)	-	-	(31)
Net non-performing forborne loans	-	477	-	53	-	-	530
Collateral	-	154	-	15	-	-	169

Standard Chartered Bank
Risk profile

Amortised cost	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
	01.01.18						
All loans with forbearance measures	6	1,962	41	278	-	-	2,287
Credit impairment (stage 3)	-	(761)	(5)	(176)	-	-	(942)
Net balance	6	1,201	36	102	-	-	1,345
Included within the above table							
Gross performing forborne loans	2	465	28	29	-	-	524
Modification of terms and conditions[1]	2	465	28	26	-	-	521
Refinancing[2]	-	-	-	3	-	-	3
Collateral	-	-	-	-	-	-	-
Gross non-performing forborne loans	4	1,497	13	251	-	-	1,765
Modification of terms and conditions[1]	4	1,174	13	221	-	-	1,412
Refinancing[2]	-	323	-	30	-	-	353
Impairment provisions	-	(761)	(6)	(177)	-	-	(944)
Modification of terms and conditions[1]	-	(524)	(6)	(162)	-	-	(692)
Refinancing[2]	-	(237)	-	(15)	-	-	(252)
Net non-performing forborne loans	4	736	7	74	-	-	821
Collateral	-	18	3	-	-	-	21

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

	Loans to banks $million	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
	31.12.17 (IAS 39)						
All loans with forbearance measures	6	1,962	41	281	-	-	2,290
Accumulated impairment	-	(761)	(6)	(177)	-	-	(944)
Net balance	6	1,201	35	104	-	-	1,346
Included within the above table							
Gross performing forborne loans	2	465	28	30	-	-	525
Modification of terms and conditions[1]	2	465	28	27	-	-	522
Refinancing[2]	-	-	-	3	-	-	3
Collateral	-	-	-	-	-	-	-
Gross non-performing forborne loans	4	1,497	13	251	-	-	1,765
Modification of terms and conditions[1]	4	1,174	13	221	-	-	1,412
Refinancing[2]	-	323	-	30	-	-	353
Impairment provisions	-	(761)	(6)	(177)	-	-	(944)
Modification of terms and conditions[1]	-	(524)	(6)	(162)	-	-	(692)
Refinancing[2]	-	(237)	-	(15)	-	-	(252)
Net non-performing forborne loans	4	736	7	74	-	-	821
Collateral	-	18	3	-	-	-	21

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

Forborne and other modified loans by region (unaudited)

Group

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	31.12.18				
Not impaired	**114**	**109**	**113**	**44**	**380**
Impaired	**233**	**344**	**181**	**274**	**1,032**
Total forborne loans	**347**	**453**	**294**	**318**	**1,412**

Standard Chartered Bank
Risk profile

	31.12.17 (IAS 39)				
Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Not impaired	56	40	395	106	597
Impaired	353	778	202	255	1,588
Total forborne loans	409	818	597	361	2,185

Company

	31.12.18				
Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Not impaired	**47**	**27**	**94**	**13**	**181**
Impaired	**-**	**203**	**82**	**245**	**530**
Total forborne loans	**47**	**230**	**176**	**258**	**711**

	31.12.17 (IAS 39)				
Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Not impaired	-	18	348	140	506
Impaired	-	477	142	221	840
Total forborne loans	-	495	490	361	1,346

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

Gross credit-impaired (stage 3) loans for the Group are down 21 per cent in the year, to $6.9 billion (1 January 2018: $8.8 billion) with significant reductions in the liquidation portfolio as we continued to exit these exposures. Gross stage 3 loans in the ongoing business decreased to $5.7 billion (1 January 2018: $6.5 billion), driven by repayments, debt sales, write-offs and transfers to stage 2 in Corporate & Institutional Banking.

The inflows of stage 3 loans in Corporate & Institutional Banking were also significantly lower, at around 35 per cent of the level seen in 2017 (2018: $0.8 billion; 2017: $2.3 billion), reflecting the continued improvement in the Corporate & Institutional Banking portfolio. Stage 3 inflows in Commercial Banking were higher (2018: $0.6 billion; 2017: $0.4 billion), driven by exposures in Greater China & North Asia and Africa & Middle East. Stage 3 loans in Retail Banking were broadly stable (31 December 2018: $0.8 billion; 1 January 2018: $0.8 billion).

Stage 3 cover ratio

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 cover ratio before collateral for Corporate & Institutional Banking reduced from 59 per cent to 57 per cent due to debt sales and write-offs on clients who had a high level of provisions. The cover ratio for Retail Banking remained stable at 48 per cent and cover ratio including collateral improved to 87 per cent (1 January 2018: 74 per cent).

The Private Banking segment remains fully covered taking into account the collateral held.

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.

The table below presents the balance of the gross stage 3 loans to banks and customers, together with the provisions held, for all segments and the respective cover ratios. For the reconciliation between the non-performing loans under IAS 39 and under IFRS 9, refer to Note 40.

Standard Chartered Bank
Risk profile

Group

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	31.12.18				
Gross credit-impaired	**4,085**	**832**	**1,774**	**235**	**6,926**
Credit-impairment provisions	**(2,327)**	**(396)**	**(1,234)**	**(100)**	**(4,057)**
Net credit-impaired	**1,758**	**436**	**540**	**135**	**2,869**
Cover ratio	**57%**	**48%**	**70%**	**43%**	**59%**
Collateral ($ million)	**802**	**324**	**302**	**135**	**1,563**
Cover ratio (after collateral)	**77%**	**87%**	**87%**	**100%**	**81%**
Of the above, included in the liquidation portfolio:					
Gross credit-impaired	**1,029**	**-**	**89**	**157**	**1,275**
Credit-impairment provisions	**(780)**	**-**	**(89)**	**(93)**	**(962)**
Net credit-impaired	**249**	**-**	**-**	**64**	**313**
Cover ratio	**76%**	**-**	**100%**	**59%**	**75%**
Collateral ($ million)	**159**	**-**	**-**	**64**	**223**
Cover ratio (after collateral)	**91%**	**-**	**100%**	**100%**	**93%**

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	01.01.18				
Gross credit-impaired	5,797	818	1,956	207	8,778
Credit-impairment provisions	(3,437)	(389)	(1,369)	(91)	(5,286)
Net credit-impaired	2,360	429	587	116	3,492
Cover ratio	59%	48%	70%	44%	60%
Collateral ($ million)	1,111	218	277	203	1,809
Cover ratio (after collateral)	78%	74%	84%	100%	81%
Of the above, included in the liquidation portfolio:					
Gross credit-impaired	1,945	-	125	156	2,226
Credit-impairment provisions	(1,417)	-	(123)	(86)	(1,626)
Net credit-impaired	528	-	2	70	600
Cover ratio	73%	0%	98%	55%	73%
Collateral ($ million)	237	-	-	96	333
Cover ratio (after collateral)	85%	0%	98%	100%	88%

Amortised cost and FVTPL	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	31.12.17 (IAS 39)				
Gross non-performing loans	5,957	489	2,026	207	8,679
Individual impairment provisions[1]	(3,468)	(215)	(1,430)	(67)	(5,180)
Net non-performing loans	2,489	274	596	140	3,499
Portfolio impairment provision	(157)	(208)	(99)	(2)	(466)
Total	2,332	66	497	138	3,033
Cover ratio	61%	87%	75%	33%	65%
Cover ratio (excluding PIP)	58%	44%	71%	32%	60%
Collateral ($ million)	1,111	218	277	203	1,809
Cover ratio (after collateral)	77%	89%	84%	100%	81%
Of the above, included in the liquidation portfolio:					
Gross credit-impaired	1,945	-	125	156	2,226
Credit-impairment provisions	(1,388)	-	(123)	(62)	(1,573)
Net credit-impaired	557	-	2	94	653
Cover ratio	71%	0%	98%	40%	71%
Collateral ($million)	237	-	-	96	333
Cover ratio (after collateral)	84%	0%	98%	100%	86%

1 The difference to total individual impairment provision reflects provisions against forborne loans that are not included within non-performing loans as they have been performing for 180 days

Standard Chartered Bank
Risk profile

Company

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	31.12.18				
Gross credit-impaired	**3,580**	**175**	**1,014**	**233**	**5,002**
Credit impairment provisions	**(2,145)**	**(91)**	**(798)**	**(99)**	**(3,133)**
Net credit-impaired	**1,435**	**84**	**216**	**134**	**1,869**
Cover ratio	**60%**	**52%**	**79%**	**42%**	**63%**
Collateral ($ million)	**560**	**84**	**66**	**64**	**774**
Cover ratio (after collateral)	**76%**	**100%**	**85%**	**70%**	**78%**
Of the above, included in the liquidation portfolio:					
Gross credit-impaired	**997**	**-**	**33**	**157**	**1,187**
Credit impairment provisions	**(763)**	**-**	**(33)**	**(93)**	**(889)**
Net credit-impaired	**234**	**-**	**-**	**64**	**298**
Cover ratio	**77%**	**-**	**100%**	**59%**	**75%**
Collateral ($million)	**147**	**-**	**-**	**64**	**211**
Cover ratio (after collateral)	**91%**	**-**	**100%**	**100%**	**93%**

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	01.01.18				
Gross credit-impaired	4,879	190	1,118	206	6,393
Credit impairment provisions	(3,091)	(98)	(830)	(90)	(4,109)
Net credit-impaired	1,788	92	288	116	2,284
Cover ratio	63%	52%	74%	44%	64%
Collateral ($ million)	841	109	148	203	1,301
Cover ratio (after collateral)	81%	100%	87%	100%	85%
Of the above, included in the liquidation portfolio:					
Gross credit-impaired	1,945	-	125	156	2,226
Credit impairment provisions	(1,417)	-	(123)	(86)	(1,626)
Net credit-impaired	528	-	2	70	600
Cover ratio	73%	0%	98%	55%	73%
Collateral ($million)	237	-	-	96	333
Cover ratio (after collateral)	85%	0%	98%	100%	88%

Amortised cost and FVTPL	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total $million
	31.12.17 (IAS 39)				
Gross non-performing loans	5,031	157	1,134	206	6,528
Individual impairment provisions[1]	(3,138)	(56)	(841)	(66)	(4,101)
Net non-performing loans	1,893	101	293	140	2,427
Portfolio impairment provision	(127)	(66)	(61)	(1)	(255)
Total	1,766	35	232	139	2,172
Cover ratio	65%	78%	80%	33%	67%
Cover ratio (excluding PIP)	62%	36%	74%	32%	63%
Collateral ($ million)	908	78	116	203	1,305
Cover ratio (after collateral)	80%	85%	84%	100%	83%
Of the above, included in the liquidation portfolio:					
Gross credit-impaired	1,783	-	68	156	2,007
Credit impairment provisions	(1,295)	-	(66)	(62)	(1,423)
Net credit-impaired	488	-	2	94	584
Cover ratio	73%	0%	97%	40%	71%
Collateral ($ million)	193	-	-	96	289
Cover ratio (after collateral)	83%	0%	97%	100%	85%

1 The difference to total individual impairment provision reflects provisions against forborne loans that are not included within non-performing loans as they have been performing for 180 days

Standard Chartered Bank
Risk profile

Credit-impaired (stage 3) loans and advances by geographic region (unaudited)

Stage 3 loans decreased by $1.9 billion or 21 per cent compared with 1 January 2018. The largest decrease was in the ASEAN & South Asia region ($1.5 billion), primarily due to settlement and write-offs.

Group

	31.12.18				
Amortised cost	**Greater China & North Asia $million**	**ASEAN & South Asia $million**	**Africa & Middle East $million**	**Europe & Americas $million**	**Total $million**
Gross credit-impaired	**777**	**2,730**	**2,573**	**846**	**6,926**
Credit impairment provisions	**(282)**	**(1,705)**	**(1,726)**	**(344)**	**(4,057)**
Net credit-impaired	**495**	**1,025**	**847**	**502**	**2,869**
Cover ratio	**36%**	**62%**	**67%**	**41%**	**59%**

	01.01.18				
Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	806	4,248	2,657	1,067	8,778
Credit impairment provisions	(308)	(2,500)	(1,846)	(632)	(5,286)
Net credit-impaired	498	1,748	811	435	3,492
Cover ratio	38%	59%	69%	59%	60%

	31.12.17 (IAS 39)				
Amortised cost and FVTPL	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross non-performing	895	3,948	2,692	1,144	8,679
Individual impairment provision	(396)	(2,389)	(1,675)	(720)	(5,180)
Non-performing loans net of individual impairment provision	499	1,559	1,017	424	3,499
Portfolio impairment provision	(129)	(180)	(121)	(36)	(466)
Net non-performing loans and advances	370	1,379	896	388	3,033
Cover ratio	59%	65%	67%	66%	65%
Cover ratio (excluding portfolio impairment provision)					60%

Standard Chartered Bank
Risk profile

Company

Amortised cost	31.12.18 Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	-	1,879	1,686	1,437	5,002
Credit impairment provisions	-	(1,139)	(1,179)	(815)	(3,133)
Net credit-impaired	-	740	507	622	1,869
Cover ratio	-	61%	70%	57%	63%

Amortised cost	01.01.18 Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	-	3,487	1,965	941	6,393
Credit impairment provisions	-	(2,094)	(1,393)	(622)	(4,109)
Net credit-impaired	-	1,393	572	319	2,284
Cover ratio	-	60%	71%	66%	64%

Amortised cost and FVTPL	31.12.17 (IAS 39) Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross non-performing	-	3,492	1,981	1,055	6,528
Individual impairment provision	-	(2,015)	(1,373)	(713)	(4,101)
Non-performing loans net of individual impairment provision	-	1,477	608	342	2,427
Portfolio impairment provision	-	(128)	(58)	(68)	(254)
Net non-performing loans and advances	-	1,349	550	274	2,173
Cover ratio	-	61%	72%	74%	67%
Cover ratio (excluding portfolio impairment provision)					63%

Standard Chartered Bank
Risk profile

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

Credit impairment provisions as at 31 December 2018 were $4,057 million, compared with $5,286 million as at 1 January 2018, with the decrease largely due to material reductions in Corporate & Institutional Banking.

The Corporate & Institutional Banking credit impairment provisions as at 31 December 2018 decreased by 32 per cent ($1,110 million) compared with 1 January 2018 driven by write-offs and lower new provisions taken in 2018.

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

Group

	31.12.18				
Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Total[1] $million
Gross credit-impaired loans at 31 December	**4,085**	**832**	**1,774**	**235**	**6,926**
Credit impairment allowances at 1 January	**3,437**	**389**	**1,369**	**91**	**5,286**
Exchange translation difference	**(187)**	**16**	**(86)**	**3**	**(254)**
Amounts written off	**(1,179)**	**(575)**	**(291)**	**-**	**(2,045)**
Discount unwind	**(39)**	**(20)**	**(16)**	**(5)**	**(80)**
New provisions charge	**189**	**12**	**218**	**3**	**422**
Repayment	**(379)**	**-**	**(136)**	**(5)**	**(520)**
Net transfers into and out of stage 3	**85**	**172**	**14**	**-**	**271**
Changes due to risk parameters	**400**	**402**	**162**	**13**	**977**
Credit impairment allowances at 31 December	**2,327**	**396**	**1,234**	**100**	**4,057**
Net credit impairment	**1,758**	**436**	**540**	**135**	**2,869**

	31.12.17 (IAS 39)					
Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total[1] $million
Gross impaired loans at 31 December	5,957	695	2,027	207	-	8,886
Provisions held at 1 January	3,961	262	1,602	5	-	5,830
Exchange translation differences	55	15	31	1	-	102
Amounts written off	(1,139)	(577)	(444)	-	-	(2,160)
Releases of acquisition fair values	(1)	-	-	-	-	(1)
Recoveries of amounts previously written off	27	153	22	32	-	234
Discount unwind	(41)	(23)	(19)	-	-	(83)
Transfer to assets held for sale	-	(6)	-	-	-	(6)
New provisions	1,197	669	327	63	-	2,256
Recoveries/provisions no longer required	(314)	(218)	(86)	(34)	-	(652)
Net individual impairment charge against profit	883	451	241	29	-	1,604
Other movements[2]	(277)	-	(2)	-	-	(279)
Individual impairment provisions held at 31 December	3,468	275	1,431	67	-	5,241
Net individually impaired loans	2,489	420	596	140	-	3,645

Standard Chartered Bank
Risk profile

Company

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & others $million	Total[1] $million
	31.12.18					
Gross credit-impaired loans at 31 December	**3,580**	**175**	**1,014**	**233**	**-**	**5,002**
Credit impairment allowances at 1 January	**3,091**	**98**	**830**	**90**	**-**	**4,109**
Exchange translation difference	**(194)**	**36**	**(34)**	**3**	**-**	**(189)**
Amounts written off	**(1,057)**	**(184)**	**(167)**	**-**	**-**	**(1,408)**
Discount unwind	**(38)**	**(2)**	**(11)**	**(5)**	**-**	**(56)**
New provisions charge	**168**	**-**	**137**	**3**	**-**	**308**
Repayment	**(268)**	**-**	**(69)**	**(5)**	**-**	**(342)**
Other movements	**(4)**	**-**	**(1)**	**-**	**-**	**(5)**
Net transfers into and out of stage 3	**72**	**36**	**12**	**-**	**-**	**120**
Changes due to risk parameters	**375**	**107**	**101**	**13**	**-**	**596**
Credit impairment allowances at 31 December	**2,145**	**91**	**798**	**99**	**-**	**3,133**
Net credit impairment	**1,435**	**84**	**216**	**134**	**-**	**1,869**

Amortised cost	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total[1] $million
	31.12.17 (IAS 39)					
Gross impaired loans at 31 December	5,033	143	1,135	206	-	6,517
Provisions held at 1 January	3,262	61	914	3	-	4,240
Exchange translation differences	43	2	24	-	-	69
Amounts written off	(941)	(163)	(258)	-	-	(1,362)
Recoveries of amounts previously written off	14	36	7	-	-	57
Discount unwind	(34)	(2)	(12)	-	-	(48)
Transfer to assets held for sale	-	-	-	-	-	-
New provisions	1,052	190	204	63	-	1,509
Recoveries/provisions no longer required	(256)	(51)	(37)	-	-	(344)
Net individual impairment charge against profit	796	139	167	63	-	1,165
Other movements[2]	-	-	-	-	-	-
Individual impairment provisions held at 31 December	3,140	73	842	66	-	4,121
Net individually impaired loans	1,893	70	293	140	-	2,396

1 Excludes credit impairment relating to loan commitments and financial guarantees
2 Other movements include provisions for liabilities and charges that have been drawn down and are now part of loan impairment

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Risk profile

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

The requirement for collateral is not a substitute for the ability to pay, 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 $265 billion (31 December 2017: $247 billion).

The collateral values in the table below are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. Following the adoption of IFRS 9 on 1 January 2018, for exposures that are not credit-impaired the extent of over-collateralisation has been determined with reference to both the drawn and undrawn components of exposures as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. The 2017 comparatives have not been restated, as the effect of collateral on IAS 39 impairment provisions was based on the drawn component only.

We have remained prudent in the way we assess the value of collateral, which is calibrated for a severe downturn and back tested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value. Collateral held against Corporate & Institutional Banking and Commercial Banking exposures amounted to $23 billion.

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. The collateral level for Retail Banking has decreased by $2 billion in 2018. This is in line with the overall movement of the secured portfolio.

For loans and advances to customers and banks (including those held at fair value through profit or loss), the table below sets out the fair value of collateral held by the Group, adjusted where appropriate in accordance with the risk mitigation policy and for the effect of over-collateralisation.

Collateral held on loans and advances

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

Group

	31.12.18								
	Amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total[3] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate & Institutional Banking[1]	**166,097**	**10,231**	**1,758**	**15,882**	**1,314**	**802**	**150,215**	**8,917**	**956**
Retail Banking	**101,235**	**2,706**	**436**	**74,485**	**2,092**	**324**	**26,750**	**614**	**112**
Commercial Banking	**26,763**	**4,333**	**540**	**6,767**	**3,966**	**302**	**19,996**	**367**	**238**
Private Banking	**13,616**	**785**	**135**	**9,729**	**783**	**135**	**3,887**	**2**	**-**
Central & other items	**10,262**	**26**	**-**	**6,278**	**-**	**-**	**3,984**	**26**	**-**
Total[2]	**317,973**	**18,081**	**2,869**	**113,141**	**8,155**	**1,563**	**204,832**	**9,926**	**1,306**

1 Includes loans and advances to banks

2 Excludes FVTPL

3 Excludes collateral held against FVPTL exposures , and is adjusted for over collateralisation based on the drawn and undrawn components of exposures

	31.12.17 (IAS 39)								
	Maximum exposure			Collateral			Net exposure		
Amortised cost and FVTPL	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Total[2] $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million
Corporate & Institutional Banking[1]	193,442	1,455	5,957	70,499	160	1,111	122,943	1,295	4,846
Retail Banking	103,371	2,114	695	76,543	1,514	218	26,828	600	477
Commercial Banking	29,602	483	2,027	6,570	247	277	23,032	236	1,750
Private Banking	13,359	85	207	9,296	82	203	4,063	3	4
Central & other items	27,558	-	-	5,339	-	-	22,219	-	-
Total	367,332	4,137	8,886	168,247	2,003	1,809	199,085	2,134	7,077

1 Includes loans and advances to banks

2 Includes collateral held against FVTPL exposures, and is adjusted for over collateralisation based on the drawn component of exposures

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Company

Amortised cost	31.12.18 Amount outstanding Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Collateral Total[3] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Net exposure Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate & Institutional Banking[1]	**76,880**	**5,002**	**1,435**	**9,961**	**704**	**560**	**66,919**	**4,298**	**875**
Retail Banking	**10,015**	**564**	**84**	**4,652**	**475**	**84**	**5,363**	**89**	**-**
Commercial Banking	**9,013**	**1,680**	**216**	**2,026**	**1,069**	**66**	**6,987**	**611**	**150**
Private Banking	**4,029**	**395**	**134**	**3,116**	**385**	**64**	**913**	**10**	**70**
Central & other items	**1,077**	**27**	**-**	**1,022**	**-**	**-**	**55**	**27**	**-**
Total[2]	**101,014**	**7,668**	**1,869**	**20,777**	**2,633**	**774**	**80,237**	**5,035**	**1,095**

1 Includes loans and advances to banks

2 Excludes FVTPL

3 Excludes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn and undrawn components of exposures

Amortised cost and FVTPL	31.12.17 (IAS 39) Maximum exposure Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Collateral Total[2] $million	Past due but not individually impaired loans $million	Individually impaired loans $million	Net exposure Total $million	Past due but not individually impaired loans $million	Individually impaired loans $million
Corporate & Institutional Banking[1]	140,723	1,133	5,032	61,430	158	908	79,293	975	4,124
Retail Banking	10,676	553	145	5,301	349	78	5,375	204	67
Commercial Banking	11,013	314	1,134	1,790	232	116	9,223	82	1,018
Private Banking	8,569	82	206	5,861	80	203	2,708	2	3
Central & other items	10,202	-	-	2,151	-	-	8,051	-	-
Total	181,183	2,082	6,517	76,533	819	1,305	104,650	1,263	5,212

1 Includes loans and advances to banks

2 Includes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn component of exposures

Standard Chartered Bank
Risk profile

Collateral - Corporate & Institutional Banking and Commercial Banking

Collateral held against Corporate & Institutional Banking and Commercial Banking exposures amounted to $23 billion. Following the adoption of IFRS 9, on 1 January 2018 $44.6 billion of reverse repurchase loans, with associated collateral, was classified and measured at fair value through profit and loss. 2017 comparatives have not been restated.

Collateral taken for longer-term and sub-investment grade corporate loans continues to be high at 51 per cent.

Our underwriting standards encourage taking specific charges on assets and we consistently seek high-quality, investment grade collateral. 83 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 type of collateral 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

Amortised cost	**31.12.18[1] $million**	31.12.17 (IAS 39)[2] $million
Maximum exposure	**166,097**	193,442
Property	**5,556**	7,014
Plant, machinery and other stock	**1,067**	3,612
Cash	**2,019**	5,742
Reverse repos	**528**	49,736
AAA	**-**	1,027
A- to AA+	**321**	40,421
BBB- to BBB+	**207**	6,448
Lower than BBB-	**-**	915
Unrated	**-**	925
Financial guarantees and insurance[3]	**3,697**	-
Commodities	**90**	162
Ships and aircraft	**2,925**	4,233
Total value of collateral	**15,882**	70,499
Net exposure	**150,215**	122,943

1 Excludes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn and undrawn component of exposures

2 Includes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn component of exposures

3 Included in 2018 as it is taken into account when determining expected credit losses

Commercial Banking

Amortised cost	**31.12.18[1] $million**	31.12.17 (IAS 39)[2] $million
Maximum exposure	**26,763**	29,602
Property	**4,557**	4,642
Plant, machinery and other stock	**992**	767
Cash	**486**	923
Reverse repos	**72**	-
A- to AA+	**1**	-
BBB- to BBB+	**71**	-
Financial guarantees and insurance[3]	**502**	-
Commodities	**11**	4
Ships and aircraft	**147**	234
Total value of collateral	**6,767**	6,570
Net exposure	**19,996**	23,032

1 Excludes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn and undrawn component of exposures

2 Includes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn component of exposures

3 Included in 2018 as it is taken into account when determining expected credit losses

Standard Chartered Bank
Risk profile

Company
Corporate & Institutional Banking

Amortised cost	31.12.18[1] $million	31.12.17 (IAS 39)[2] $million
Maximum exposure	**76,880**	140,723
Property	**3,145**	4,375
Plant, machinery and other stock	**798**	2,198
Cash	**912**	4,206
Reverse repos	**369**	47,374
AAA	**-**	1,025
A- to AA+	**321**	38,834
BBB- to BBB+	**48**	6,448
Lower than BBB-	**-**	915
Unrated	**-**	152
Financial guarantees & Insurance[3]	**2,655**	-
Commodities	**84**	155
Ships and aircraft	**1,998**	3,122
Total value of collateral	**9,961**	61,430
Net exposure	**66,919**	79,293

1 Excludes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn and undrawn component of exposures

2 Includes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn component of exposures

3 Included in 2018 as it is taken into account when determining expected credit losses

Commercial Banking

Amortised cost	31.12.18[1] $million	31.12.17 (IAS 39)[2] $million
Maximum exposure	**9,013**	11,013
Property	**713**	840
Plant, machinery and other stock	**704**	420
Cash	**136**	300
Reverse repos	**18**	-
A- to AA+	**1**	-
BBB- to BBB+	**17**	-
Financial guarantees & Insurance[3]	**314**	-
Commodities	**3**	2
Ships and aircraft	**138**	228
Total value of collateral	**2,026**	1,790
Net exposure	**6,987**	9,223

1 Excludes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn and undrawn component of exposures

2 Includes collateral held against FVTPL exposures, and is adjusted for over-collateralisation based on the drawn component of exposures

3 Included in 2018 as it is taken into account when determining expected credit losses

Standard Chartered Bank
Risk profile

Collateral - Retail Banking and Private Banking

In Retail Banking and Private Banking, 84 per cent of the portfolio is fully secured. The proportion of unsecured loans remains broadly stable at 15 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:

Group

	31.12.18				31.12.17 (IAS 39)			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total[1] $million	Fully secured $million	Partially secured $million	Unsecured $million	Total[2] $million
Maximum exposure	**96,534**	**1,383**	**16,934**	**114,851**	97,523	1,301	17,750	116,574
Loans to individuals								
Mortgages	**75,386**	**191**	**23**	**75,600**	78,755	23	-	78,778
CCPL	**168**	**102**	**16,692**	**16,962**	240	86	17,209	17,535
Auto	**671**	**-**	**2**	**673**	630	-	3	633
Secured wealth products	**17,721**	**107**	**172**	**18,000**	13,903	156	95	14,154
Other	**2,588**	**983**	**45**	**3,616**	3,995	1,036	443	5,474
Total collateral[3]				**84,214**				85,839
Net exposure				**30,637**				30,735
Percentage of total loans	**84%**	**1%**	**15%**		84%	1%	15%	

1 Amounts net of ECL / individual impairment provisions and excludes FVTPL

2 Includes FVTPL

3 Collateral values are adjusted where appropriate in accordance with our risk mitigation policy and fo rthe effect of over-collateralisation.

Mortgage loan-to-value ratios by geography

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 less than 45 per cent. Hong Kong, which represents 37 per cent of the Retail Banking mortgage portfolio has an average LTV of 39.2 per cent. All of our other key markets continue to have low portfolio LTVs, (Korea, Singapore and Taiwan at 43.5 per cent, 54.7 per cent and 51.6 per cent respectively).

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

Group

	31.12.18				
Amortised cost	Greater China & North Asia %	ASEAN & South Asia %	Africa & Middle East %	Europe & Americas %	Total %
Less than 50 per cent	**67.7**	**41.5**	**20.9**	**19.6**	**58.5**
50 per cent to 59 per cent	**14.9**	**18.8**	**15.3**	**21.0**	**16.0**
60 per cent to 69 per cent	**10.7**	**22.0**	**21.8**	**30.2**	**14.4**
70 per cent to 79 per cent	**5.0**	**16.0**	**21.6**	**26.8**	**8.8**
80 per cent to 89 per cent	**1.3**	**1.5**	**12.0**	**2.4**	**1.7**
90 per cent to 99 per cent	**0.3**	**0.1**	**4.7**	**-**	**0.3**
100 per cent and greater	**0.1**	**0.1**	**3.8**	**-**	**0.2**
Average portfolio loan-to-value	**42.0**	**51.5**	**65.2**	**54.2**	**44.8**
Loans to individuals - mortgages ($ million)	**52,434**	**19,156**	**2,126**	**1,884**	**75,600**

	31.12.17 (IAS 39)				
Amortised cost	Greater China & North Asia %	ASEAN & South Asia %	Africa & Middle East %	Europe & Americas %	Total %
Less than 50 per cent	62.9	36.1	21.6	28.4	54.7
50 per cent to 59 per cent	16.4	17.5	16.9	23.4	16.8
60 per cent to 69 per cent	15.3	18.7	22.6	31.4	16.6
70 per cent to 79 per cent	4.5	22.8	20.8	13.7	9.5
80 per cent to 89 per cent	0.7	4.3	11.2	2.0	1.9
90 per cent to 99 per cent	0.1	0.3	3.9	0.4	0.3
100 per cent and greater	0.1	0.3	3.0	0.8	0.2
Average portfolio loan-to-value	43.5	55.0	63.9	52.1	46.8
Loans to individuals - mortgages ($ million)	54,609	20,105	2,279	1,785	78,778

Standard Chartered Bank
Risk profile

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 other comprehensive income, and the related loan written off.
The carrying value of collateral possessed and held by the Group as at 31 December 2018 is $18.2 million (2017: $24.1 million). The decrease in collateral value is largely due to the reduction in cash collateral following utilisation to settle customer outstanding.

	2018	2017
	$million	$million
Property, plant and equipment	**8.7**	14.9
Equity shares	**-**	0.2
Guarantees	**8.6**	4.0
Cash	**0.6**	4.6
Other	**0.3**	0.4
Total	**18.2**	24.1

Other credit risk mitigation
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 $21 billion (2017: $16 billion). These credit default swaps are accounted for as financial guarantees as per IFRS 9. 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.

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 in more detail under Traded risk- Counterparty Credit Risk.

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 by business segment and industry and Retail Products analysis by region.

Standard Chartered Bank
Risk profile

Maturity analysis of loans and advances by client segment

The loans and advances to the Corporate & Institutional Banking and Commercial Banking segments remain predominantly short-term, with 60 per cent of loans and advances to customers in the segments maturing in less than one year, a decrease compared with December 2017, and 96 per cent of loans to banks maturing in less than one year. Shorter maturity gives 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 also demonstrates a short-term bias, typical for loans that are secured on wealth management assets.

The Retail Banking loan book continues to be longer-term in nature with 70 per cent of the loans maturing over five years as mortgages constitute the majority of this portfolio.

Group

	31.12.18			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate & Institutional Banking	**60,807**	**36,164**	**10,330**	**107,301**
Retail Banking	**16,372**	**14,091**	**71,600**	**102,063**
Commercial Banking	**21,086**	**5,660**	**1,364**	**28,110**
Private Banking	**12,711**	**396**	**618**	**13,725**
Central & other items	**10,256**	**6**	**-**	**10,262**
Gross loans and advances to customers	**121,232**	**56,317**	**83,912**	**261,461**
Impairment provisions	**(4,329)**	**(294)**	**(276)**	**(4,899)**
Net loans and advances to customers	**116,903**	**56,023**	**83,636**	**256,562**
Net loans and advances to banks	**58,781**	**2,597**	**33**	**61,411**

	31.12.17 (IAS 39)			
Amortised cost and FVTPL	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate & Institutional Banking	90,613	31,827	9,454	131,894
Retail Banking	24,200	17,341	61,680	103,221
Commercial Banking	21,683	5,293	1,231	28,207
Private Banking	12,407	270	676	13,353
Central & other items	9,335	4	2	9,341
Net of individual impairment provisions	158,238	54,735	73,043	286,016
Portfolio impairment provision				(465)
Net carrying value (customers)				285,551
Net carrying value (banks)	77,729	2,974	612	81,315

Company

	31.12.18			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate & Institutional Banking	**26,890**	**19,102**	**7,156**	**53,148**
Retail Banking	**2,325**	**3,357**	**4,333**	**10,015**
Commercial Banking	**6,799**	**1,693**	**521**	**9,013**
Private Banking	**3,468**	**389**	**172**	**4,029**
Central & other items	**1,073**	**4**	**-**	**1,077**
Net carrying value (customers)	**40,555**	**24,545**	**12,182**	**77,282**
Net carrying value (banks)	**21,854**	**1,845**	**33**	**23,732**

Amortised cost and FVTPL	31.12.17 (IAS 39) One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate & Institutional Banking	66,510	20,629	7,777	94,916
Retail Banking	3,137	3,384	4,133	10,654
Commercial Banking	7,671	1,934	630	10,235
Private Banking	8,166	250	145	8,561
Central & other items	6,606	5	1	6,612
Net of individual impairment provisions	92,090	26,202	12,686	130,978
Portfolio impairment provision				(254)
Net carrying value (customers)				130,724
Net carrying value (banks)	47,712	2,220	272	50,204

Industry and Retail Products analysis of loans and advances by geographic region (unaudited)

This section provides an analysis of the Group's amortised cost loan portfolio, net of provisions, by industry and region.

In the Corporate & Institutional Banking and Commercial Banking segments our largest industry exposure is manufacturing, which constitutes 17 per cent of Corporate & Institutional Banking and Commercial Banking loans and advances to customers (1 January 2018: 16 per cent). The manufacturing sector group is spread across a diverse range of industries, including automobiles and components, capital goods, pharmaceuticals, biotech and life sciences, technology hardware and equipment, chemicals, paper products and packaging, with lending spread over 4,639 clients.

The financing, insurance and non-banking industry group constitutes 15 per cent of Corporate & Institutional Banking and Commercial Banking loans and advances to customers. Clients are mostly investment grade institutions and this lending forms part of the liquidity management of the Group.

Loans and advances to the energy sector have dropped by 1 per cent to 12 per cent of total loans and advances to Corporate & Institutional Banking and Commercial Banking (1 January 2018: 13 per cent). The energy sector lending is spread across five subsectors and over 438 clients.

The Group provides loans to commercial real estate counterparties of $15 billion, which represents 6 per cent of total customer loans and advances. In total, $8.8 billion of this lending is to counterparties where the source of repayment is substantially derived from rental or sale of real estate and is secured by real estate collateral. The remaining commercial real estate loans comprise working capital loans to real estate corporate, loans with non-property collateral, unsecured loans and loans to real estate entities of diversified conglomerates. The average LTV ratio of the commercial real estate portfolio has increased to 43 per cent, compared with 41 per cent in 2017. The proportion of loans with an LTV greater than 80 per cent has remained at 1 per cent during the same period.

The mortgage portfolio continues to be the largest portion of the Retail products portfolio, at 66 per cent. CCPL and other unsecured lending remain broadly stable at 15 per cent of total Retail Products loans and advances.

Group

Amortised cost	31.12.18 Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:					
Energy	**2,778**	**5,279**	**2,793**	**6,157**	**17,007**
Manufacturing	**10,531**	**6,298**	**3,209**	**3,601**	**23,639**
Financing, insurance and non-banking	**8,657**	**4,653**	**915**	**6,662**	**20,887**
Transport, telecom and utilities	**5,712**	**4,177**	**4,703**	**1,176**	**15,768**
Food and household products	**1,945**	**4,011**	**2,798**	**975**	**9,729**
Commercial real estate	**8,148**	**4,865**	**1,854**	**165**	**15,032**
Mining and quarrying	**1,683**	**2,283**	**1,088**	**932**	**5,986**
Consumer durables	**4,892**	**2,255**	**731**	**524**	**8,402**
Construction	**831**	**1,094**	**1,225**	**152**	**3,302**
Trading companies and distributors	**1,976**	**624**	**391**	**16**	**3,007**
Government	**1,726**	**8,815**	**3,113**	**83**	**13,737**
Other	**1,686**	**1,899**	**803**	**827**	**5,215**
Retail Products:					
Mortgages	**52,434**	**19,156**	**2,126**	**1,884**	**75,600**
CCPL and other unsecured lending	**10,269**	**4,234**	**2,459**	**-**	**16,962**
Auto	**-**	**522**	**150**	**1**	**673**
Secured wealth products	**6,912**	**9,055**	**310**	**1,723**	**18,000**
Other	**2,616**	**320**	**679**	**1**	**3,616**
Net loans and advances to customers	**122,796**	**79,540**	**29,347**	**24,879**	**256,562**
Net loans and advances to banks	**27,858**	**11,676**	**5,573**	**16,304**	**61,411**

Standard Chartered Bank
Risk profile

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	01.01.18				
Industry:					
Energy	2,841	5,874	3,188	6,264	18,167
Manufacturing	10,885	6,290	3,145	1,883	22,203
Financing, insurance and non-banking	7,096	4,996	1,242	6,480	19,814
Transport, telecom and utilities	6,396	3,870	4,508	993	15,767
Food and household products	2,173	4,100	2,485	1,168	9,926
Commercial real estate	8,047	5,084	1,472	52	14,655
Mining and quarrying	1,878	2,857	1,033	580	6,348
Consumer durables	4,214	2,536	975	691	8,416
Construction	987	1,097	1,275	238	3,597
Trading companies and distributors	1,153	573	426	128	2,280
Government	1,669	6,585	1,184	164	9,602
Other	1,831	1,884	1,069	579	5,363
Retail Products:					
Mortgages	54,602	20,099	2,273	1,783	78,757
CCPL and other unsecured lending	9,585	3,935	2,893	2	16,415
Auto	-	399	230	-	629
Secured wealth products	5,268	6,973	212	1,657	14,110
Other	2,349	2,409	696	4	5,458
Net carrying value (customers)	120,974	79,561	28,306	22,666	251,507
Net carrying value (banks)	30,002	12,408	4,593	15,280	62,283

Amortised cost and FVTPL	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	31.12.17 (IAS 39)				
Industry:					
Energy	2,855	6,097	3,303	6,289	18,544
Manufacturing	10,919	6,685	3,221	1,906	22,731
Financing, insurance and non-banking	8,213	6,421	1,308	29,042	44,984
Transport, telecom and utilities	6,456	3,965	4,707	1,034	16,162
Food and household products	2,174	4,126	2,577	1,179	10,056
Commercial real estate	8,429	5,169	1,479	62	15,139
Mining and quarrying	2,079	2,903	1,089	570	6,641
Consumer durables	4,432	2,544	1,300	790	9,066
Construction	989	1,118	1,358	238	3,703
Trading companies & distributors	1,192	573	432	128	2,325
Government	4,864	6,728	1,430	1,398	14,420
Other	1,839	2,174	1,075	583	5,671
Retail Products:					
Mortgages	54,609	20,105	2,279	1,785	78,778
CCPL and other unsecured lending	10,175	4,336	3,022	2	17,535
Auto	-	399	234	-	633
Secured wealth products	5,278	7,005	213	1,658	14,154
Other	2,365	2,410	696	3	5,474
	126,868	82,758	29,723	46,667	286,016
Portfolio impairment provision	(129)	(179)	(121)	(36)	(465)
Net carrying value (customers)	126,739	82,579	29,602	46,631	285,551
Net carrying value (banks)	33,226	16,523	7,428	24,138	81,315

Standard Chartered Bank
Risk profile

Company

Amortisecd cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	31.12.18				
Industry:					
Energy	373	1,017	723	9,323	11,436
Manufacturing	951	2,251	1,534	5,800	10,536
Financing, insurance and non-banking	42	1,595	517	7,907	10,061
Transport, telecom and utilities	1,068	813	837	5,418	8,136
Food and household products	-	1,681	1,347	1,840	4,868
Commercial real estate	-	2,002	593	1,632	4,227
Mining and quarrying	-	1,061	618	1,535	3,214
Consumer durables	268	1,333	432	744	2,777
Construction	-	563	672	566	1,801
Trading companies and distributors	77	96	278	12	463
Government	-	366	133	2,942	3,441
Other	68	497	328	1,385	2,278
Retail Products:					
Mortgages	-	2,435	1,608	1,884	5,927
CCPL and other unsecured lending	-	1,744	1,185	-	2,929
Auto	-	21	142	-	163
Secured wealth products	-	2,508	235	1,717	4,460
Other	-	9	556	-	565
Net loans and advances to customers	2,847	19,992	11,738	42,705	77,282
Net loans and advances to banks	1,129	10,006	3,818	8,779	23,732

Amortised cost	Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
	01.01.18				
Industry:					
Energy	338	5,794	2,690	6,156	14,978
Manufacturing	924	4,993	2,487	1,857	10,261
Financing, insurance and non-banking	386	4,685	1,007	6,480	12,558
Transport, telecom and utilities	1,020	3,465	3,896	869	9,250
Food and household products	12	3,442	1,606	1,107	6,167
Commercial real estate	513	4,229	1,425	35	6,202
Mining and quarrying	181	2,415	840	581	4,017
Consumer durables	67	2,263	685	687	3,702
Construction	-	841	1,087	239	2,167
Trading companies and distributors	69	465	273	130	937
Government	-	5,183	1,229	164	6,576
Other	37	1,509	855	643	3,044
Retail Products:					
Mortgages	-	2,553	1,775	1,775	6,103
CCPL and other unsecured lending	-	1,600	1,507	-	3,107
Auto	-	23	220	1	244
Secured wealth products	-	5,382	204	1,657	7,243
Other	-	1,741	562	2	2,305
Net carrying value (customers)	3,547	50,583	22,348	22,383	98,861
Net carrying value (banks)	1,833	10,836	4,055	14,898	31,622

Standard Chartered Bank
Risk profile

Amortised cost and FVTPL	31.12.17 (IAS 39) Greater China & North Asia $million	ASEAN & South Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:					
Energy	338	5,991	2,798	6,198	15,325
Manufacturing	931	5,353	2,534	1,906	10,724
Financing, insurance and non-banking	1,411	5,971	1,069	29,042	37,493
Transport, telecom and utilities	1,021	3,555	3,969	948	9,493
Food and household products	12	3,416	1,597	1,179	6,204
Commercial real estate	513	4,304	1,430	62	6,309
Mining and quarrying	227	2,459	918	570	4,174
Consumer durables	109	2,266	940	790	4,105
Construction	-	856	1,166	238	2,260
Trading companies & distributors	69	465	272	128	934
Government	3,195	5,326	1,476	1,398	11,395
Other	37	1,801	863	646	3,347
Retail Products:					
Mortgages	-	2,555	1,779	1,785	6,119
CCPL and other unsecured lending	-	1,685	1,587	2	3,274
Auto	-	23	224	-	247
Secured wealth products	-	5,410	205	1,655	7,270
Other	-	1,739	563	3	2,305
	7,863	53,175	23,390	46,550	130,978
Portfolio impairment provision	(1)	(128)	(57)	(68)	(254)
Net carrying value (customers)	7,862	53,047	23,333	46,482	130,724
Net carrying value (banks)	5,009	14,841	6,866	23,488	50,204

Debt securities and other eligible bills

This section provides further detail on gross debt securities and treasury bills and asset-backed securities.

Group

Amortised cost and FVOCI	**31.12.18** **Debt securities and other eligible bills $million**	01.01.18 Debt securities and other eligible bills $million
12-month expected credit losses (stage 1)	**118,715**	107,309
AAA	**55,207**	34,498
AA- to AA+	**35,685**	48,206
A- to A+	**13,803**	11,016
BBB- to BBB+	**9,639**	9,431
Lower than BBB-	**30**	257
Unrated	**4,351**	3,901
Lifetime expected credit losses (stage 2)	**6,908**	8,302
AAA	**155**	71
AA- to AA+	**115**	416
A- to A+	**54**	242
BBB- to BBB+	**5,486**	4,838
Lower than BBB-	**292**	403
Unrated	**806**	2,332
Credit-impaired financial assets (stage 3)	**232**	221
Lower than BBB-	**-**	-
Unrated	**232**	221
Gross balance[1]	**125,855**	115,832

1 Excludes fair value through profit and loss

Standard Chartered Bank
Risk profile

	31.12.17 (IAS 39)
	Debt securities and other eligible bills
Amortised cost and FVTPL	$million
Net impaired securities:	54
Impaired securities	410
Impairment	(356)
Securities neither past due nor impaired:	135,758
AAA	35,937
AA- to AA+	51,914
A- to A+	13,305
BBB- to BBB+	17,498
Lower than BBB-	5,333
Unrated	11,771
Net carrying value	135,812

Standard Chartered Bank
Risk profile

Debt securities and other eligible bills

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

Company

Amortised cost and FVOCI	31.12.18 Debt securities and other eligible bills $million	01.01.18 Debt securities and other eligible bills $million
12-month expected credit losses (stage 1)	**61,836**	56,673
AAA	**44,923**	26,843
AA- to AA+	**6,145**	14,606
A- to A+	**1,837**	4,885
BBB- to BBB+	**7,047**	5,791
Lower than BBB-	**30**	-
Unrated	**1,854**	4,548
Lifetime expected credit losses (stage 2)	**1,978**	2,241
AAA	**119**	29
AA- to AA+	**16**	140
A- to A+	**50**	101
BBB- to BBB+	**1,423**	443
Lower than BBB-	**255**	315
Unrated	**115**	1,213
Credit-impaired financial assets (stage 3)	**-**	5
Lower than BBB-	**-**	-
Unrated	**-**	5
Gross balance[1]	**63,814**	58,919

1 Excludes fair value through profit and loss

Amortised cost and FVTPL	31.12.17 (IAS 39) Debt securities and other eligible bills $million
Net impaired securities:	6
Impaired securities	53
Impairment	(47)
Securities neither past due nor impaired:	70,994
AAA	27,284
AA- to AA+	15,380
A- to A+	6,546
BBB- to BBB+	9,023
Lower than BBB-	3,352
Unrated	9,409
Net carrying value	71,000

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 149)

Debt securities in the AAA rating category increased during the year by $24.5 billion to $55.2 billion. In line with the balance sheet growth, the Group strengthened its portfolio of liquid assets by holding more highly rated securities mainly issued by the US and UK governments. The increase in holdings of debt securities rated A- to A+ under stage 1 is mainly due to China sovereign rating downgrade from AA- to A+ by Standard & Poor's. Stage 1 unrated debt securities have reduced by $3.3 billion mainly due to securities reported as unrated in prior years having now been given a rating or maturing in 2018.

Movement in net carrying value of debt securities and other eligible bills

Group Amortised cost and FVOCI	31.12.18 Net carrying value $million	31.12.17 (IAS 39) Net carrying value $million
As at 1 January 2018	**115,535**	**107,533**
Exchange translation differences and other movements	**(2,795)**	**3,463**
Additions	**276,394**	**265,126**
Maturities and disposals	**(263,996)**	**(260,271)**
Transfers to assets held for sale	**-**	**(60)**
Impairment, net of recoveries on disposal	**(7)**	**1**
Changes in fair value (including the effect of fair value hedging)	**84**	**17**
Amortisation of discounts and premiums	**375**	**292**
As at 31 December 2018	**125,590**	**116,101**

Movement in net carrying value of debt securities and other eligible bills

Company Amortised cost and FVOCI	31.12.18 Net carrying value $million	31.12.17 (IAS39) Net carrying value $million
As at 1 January 2018	**58,870**	**54,883**
Exchange translation differences and other movements	**(875)**	**1,244**
Additions	**119,679**	**107,462**
Maturities and disposals	**(110,428)**	**(104,436)**
Transfers to assets held for sale	**(3,364)**	**-**
Impairment, net of recoveries on disposal	**(12)**	**1**
Changes in fair value (including the effect of fair value hedging)	**(9)**	**(49)**
Amortisation of discounts and premiums	**(70)**	**92**
As at 31 December 2018	**63,791**	**59,197**

Standard Chartered Bank
Risk profile

Asset-backed securities (unaudited)

Total exposures to asset backed securities

	31.12.18				01.01.18			
	Percentage of notional value of portfolio	**Notional**	**Carrying value**	**Fair value[1]**	Percentage of notional value of portfolio	Notional	Carrying value	Fair value[1]
	$million	**$million**	**$million**	**$million**	$million	$million	$million	$million
Residential mortgage-backed securities (RMBS)	**59%**	**4,369**	**4,369**	**4,356**	44%	2,814	2,812	2,812
Collateralised debt obligations (CDOs)	**2%**	**155**	**150**	**150**	1%	75	70	69
Commercial mortgage-backed securities (CMBS)	**1%**	**94**	**94**	**94**	1%	63	29	29
Other asset-backed securities (other ABS)	**38%**	**2,855**	**2,849**	**2,846**	54%	3,518	3,517	3,519
	100%	**7,473**	**7,462**	**7,446**	100%	6,470	6,428	6,429
Of which included within:								
Financial assets held at fair value through profit or loss	**11%**	**823**	**816**	**819**	14%	887	885	890
Financial assets held at non trading mandatorily fair value through profit or loss	**4%**	**282**	**278**	**278**	7%	453	410	410
Financial assets held at amortised cost	**34%**	**2,559**	**2,556**	**2,556**	17%	1,078	1,079	1,072
Investment securities - FVOCI	**51%**	**3,809**	**3,812**	**3,793**	63%	4,052	4,054	4,057
	100%	**7,473**	**7,462**	**7,446**	100%	6,470	6,428	6,429

1 Fair value reflects the value of the entire portfolio, including assets redesignated to loans at amortised cost
2 RMBS includes Other UK, Dutch, Australia and Korea RMBS
3 Other asset-backed securities includes auto loans, credit cards, student loans, future flows and trade receivables

The carrying value of asset-backed securities (ABS) represents 1 per cent (31 December 2017: 1 per cent) of the Group's total assets.

The credit quality of the ABS portfolio remains strong, with over 99 per cent of the overall portfolio rated investment grade, and 71 per cent of the overall portfolio rated as AAA. Residential mortgage-backed securities (RMBS) make up 59 per cent of the overall portfolio and have a weighted averaged credit rating of AAA (AAA in 2017).

Other ABS includes auto ABS, comprising 22 per cent of the overall portfolio, and credit card ABS (3 per cent). Both maintain a weighted average credit rating of AAA. The balance of Other ABS mainly includes securities backed by consumer loans, CLOs, CMBS, diversified payment rights and receivables ABS.

Standard Chartered Bank
Risk profile

IFRS 9 methodology

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) and 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 the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant.

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

Although the IFRS 9 models leverage the existing Basel advanced IRB risk components, several significant adjustments are required to ensure the resulting outcome is in line with the IFRS 9 requirements.

Key differences between regulatory and IFRS expected credit loss models

	Basel advanced IRB expected loss	IFRS 9 Expected credit loss
Rating philosophy	Point-in-time, through-the-cycle or hybrid, depending on the relevant regulatory requirements	Point-in-time
Parameters calibration	Often conservative, due to regulatory floors and downturn calibration	Unbiased estimate, based on conditions known at the balance sheet date
- **PD**		Inclusion of forward-looking information and removal of conservatism and bias
- **LGD**		Removal of regulatory floors, exclusion of non-direct costs
- **EAD**	Floored at outstanding amount	Recognises ability to have a reduction in exposure from the balance sheet date to the default date
Timeframe	12-month period	Up to 12 months and lifetime
Discounting applied	Discounting at the weighted average cost of capital to the time of default	Discounting at the effective interest rate (EIR) to the balance sheet reporting date

IFRS 9 expected credit loss models have been developed for the Corporate & Institutional Banking and Commercial Banking businesses on a global, in line with their respective portfolios. However, for some of the most material countries, country-specific models have 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 loan portfolios, the Group has adopted simplified 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 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

→ 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.

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

Standard Chartered Bank
Risk profile

Application of lifetime

Expected credit loss is estimated based on the shorter of the expected life and the maximum contractual period for which the Group is exposed to credit risk. For Retail Banking credit cards and Corporate & Institutional Banking overdraft facilities, however, the Group does not typically enforce the contractual period. As a result, for these instruments, the lifetime of the exposure is based on the period the Group is exposed to credit risk. This period has been determined by reference to expected behavioural life of the exposure and the extent to which credit risk management actions curtail the period of exposure. For credit cards, this has resulted in an average life of between 3 and 10 years across our footprint markets. Overdraft facilities have a 22-month lifetime.

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Risk profile

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 expected credit loss, 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, supported by projections from the Group's in-house research team and outputs from models that project specific economic variables and asset prices.

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

The Base Forecast – management's view of the most likely outcome – is that the synchronised expansion of the global economy will continue over the coming years alongside a normalisation of monetary policy in the developed world and the successful rebalancing of the Chinese economy, with US-China trade tensions putting China's export sectors under some pressure.

While this Base Forecast is the premise for the Group's strategic plan, one of the key requirements of IFRS 9 is that the assessment of provisions should be based on a range of potential outcomes for the future economic environment. 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 expected credit loss under the Base Forecast, it might not end up with a level of provisions that appropriately considers the range of potential outcomes. To address this skewness (or non-linearity) in expected credit loss, IFRS 9 requires the ECL to be the probability-weighted amount calculated for a range of possible outcomes.

To take account of the potential non-linearity in expected credit loss, the Group simulates a set of 50 scenarios around the Base Forecast and calculates the expected credit loss under each of them. These scenarios are generated by a Monte Carlo simulation, which considers the degree of uncertainty (or volatility) around economic outcomes and how these outcomes have tended to move in relation to one another (or correlation). The use of Monte Carlo simulation is motivated by the number and spread of countries in which the Group operates. This implies that the number of countries' macroeconomic variables to forecast is large, but more importantly the observation that a downturn in one part of the world is never perfectly synchronised with downturns everywhere else means that the Group may be challenged to capture a full range of scenarios with a handful of manually tuned scenarios.

While the 50 scenarios do not each have a specific narrative, they reflect a range of plausible hypothetical alternative outcomes for the global economy. Some imply an unwinding of the current shocks and uncertainty leading to higher global economic activity and higher asset prices, while others represent an intensification of current shocks or introduction of new shocks that raise uncertainty, leading to lower global economic activity and lower asset prices.

The table below provides a summary of the Group's Base Forecast, alongside the corresponding range seen across the multiple scenarios.

Over the medium term – five years ahead – there has been relatively little change in the forecast level of activity relative to the start of the year. At the margin, the ongoing trade policy tensions between the US and China have reduced prospective export growth in China, particularly in the near term. The effect of the external trade shock is expected to be offset by moderate domestic policy stimulus by Chinese authorities and so average real GDP growth projections over the medium term have been revised downwards only marginally, to 6.0 per cent from 6.1 per cent. Some policy stimulus was provided during 2018, for example an easing of monetary policy by the People's Bank of China (PBoC). This policy stance is expected to persist and so the projected average three-month interbank interest rate over the medium term has been revised down materially to 3.1 per cent from 4.2 per cent.

In contrast to the Chinese economy, the US economy continued to grow above trend during 2018, prompting the Federal Reserve to raise US policy interest rates faster than expected. For those countries where the monetary policy framework is based on managing the level of the currency in reference to the US dollar – either as a currency board (Hong Kong) or as a currency basket (Singapore) – domestic interest rates rise, to some degree, with US interest rates. The revised outlook for short-term interbank interest rates is not expected to have a material effect on activity, property price inflation or unemployment in those countries over the medium term.

The most material revision in the base forecast is to the oil price. At the start of the year oil prices were expected to average around US$61/barrel over the medium term, but by the end of the year that projection had been revised up to around US$85. While current prices have been impacted by speculative movements out of oil, a number of supply and demand factors together determine the oil price. The most important driver of the rise in projected oil prices over the medium term was the decision by the US government not to renew waivers on certain sanctions on Iran, including the export of oil.

31.12.2018	China			Hong Kong			Korea			Singapore			India		
	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]
GDP growth (YoY%)	6.0	4.3	7.7	3.0	0.6	5.6	2.9	0.4	5.3	2.4	(1.7)	6.4	7.7	5.6	10.1
Unemployment (%)	4.0	3.8	4.2	3.4	2.4	4.6	3.2	2.4	4.0	3.0	2.3	3.7	N/A	N/A	N/A
3-month interest rates (%)	3.1	2.0	4.3	3.0	1.8	4.2	2.6	1.4	4.0	2.4	1.3	3.8	6.9	5.1	8.9
House prices (YoY%)	5.8	3.4	8.5	2.3	(8.1)	12.1	3.5	1.3	6.1	4.4	(1.5)	10.6	8.4	1.4	15.1

01.01.2018	China			Hong Kong			Korea			Singapore			India		
	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]	Base forecast	Low[2]	High[3]
GDP growth (YoY%)	6.1	4.5	7.6	3.0	0.3	5.4	2.9	0.8	5.6	2.3	(2.0)	6.1	7.5	5.4	9.7
Unemployment (%)	4.0	3.8	4.2	3.6	2.4	4.8	3.3	2.5	4.6	2.8	2.2	3.5	N/A[1]	N/A[1]	N/A[1]
3-month interest rates (%)	4.2	2.9	5.6	1.7	1.0	3.7	2.3	1.4	4.3	1.7	1.2	3.9	6.2	5.3	9.0
House prices (YoY%)	5.4	3.5	8.0	2.0	(7.5)	12.3	3.5	1.4	6.0	3.8	(1.8)	9.2	8.5	1.3	15.5

31.12.2018	Base forecast	Low[2]	High[3]
Crude price Brent, $ pb	85	40	118

01.01.2018	Base forecast	Low[2]	High[3]
Crude price Brent, $ pb	61	35	92

1 Not available

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

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

The final expected credit loss reported by the Group is a simple average of the expected credit loss for each of the 50 scenarios. The impact of non-linearity on expected credit loss is set out in the table below:

	Including non-linearity $m	Excluding non-linearity $m	Difference %
Total expected credit loss[1]	1,163	1,139	2.1

1 Total modelled expected credit loss comprises stage 1 and stage 2 balances of $1,031 million and $132 million of modelled expected credit loss on stage 3 loans

The average expected credit loss under multiple scenarios is 2.1 per cent higher than the expected credit loss calculated using only the most likely scenario (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 their responsiveness to macroeconomic impacts for structural reasons such as significant collateralisation as with the Retail Banking mortgage portfolios.

Credit-impaired assets managed by Group Special Assets Management (GSAM) 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 expected credit loss 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 expected credit loss 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 expected credit loss. 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 assessment.

The primary conclusion of these exercises is that no individual macroeconomic variable is materially influential – that is, likely to result in an impact of at least 1 per cent of the Group's expected credit loss. The Group believes this is plausible, because the number of variables used in the expected credit loss 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.

As the Group has two principal uncertainties related to the macroeconomic outlook, a sensitivity analysis of ECL was undertaken to explore the combined effect of these: an extended trade war that leads to a China slowdown with spillovers to emerging markets. In this scenario, current trade policy tensions between the US and China increase dramatically. The US targets trading partners with which it has a material trade deficit and pushes through highly protectionist measures, initiating a trade war with Asia focused on China. Indirectly, economies reliant on global trade flows are vulnerable to the trade shock. The escalating trade war creates uncertainty which reduces risk appetite, leading to a sharp decline in asset prices and lower consumption and investment across developed and emerging markets. This leads to a global downturn and a sharp fall in commodity prices. As an indication, China annual real GDP growth troughs at circa. 4 per cent, representing a slight divergence from the base forecast growth of around 6 per cent, while China exports growth dips negative for the first time since 2009. US GDP falls from a trend rate of about 2 per cent down to 1 per cent. Crude oil prices fall to $59 per barrel, and residential property indices in China and Hong Kong dip negative. To contextualise this scenario relative to the Monte Carlo generated scenarios, the China and US GDP dips approach the lowest growth boundary of the 50 scenarios in 2019, crude oil remains closer to the middle than to the bottom edge, but the China property price index falls well below the simulated lower bound over a period of years.

Applying this scenario, modelled stage 1 and 2 expected credit loss provisions would be approximately $362 million higher than the reported base case expected credit loss provision (excluding the impact of non-linearity). This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults. The proportion of exposures in stage 2 would increase from 8 per cent to 10 per cent. The main corporate portfolios impacted are in China, Hong Kong and Singapore. Within Retail the main impacts are on the Group's credit card portfolios in Hong Kong and Singapore. Note that 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.

Significant increase in credit risk

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 basis points.

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 basis points 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 with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities to stage 2.

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 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 assets of clients 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 example Hong Kong mortgages, Taiwan credit cards), 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 on page 115. 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, significant increase in credit risk is primarily assessed through the 30 DPD trigger.

Private Banking clients

For Private Banking clients, significant increase in credit risk 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 LTV covenants have been breached.

For Class I assets, 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, 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 5 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

The bank is utilising the low credit risk simplified approach. All 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.

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 CG 12.

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 timing of future recoveries which involve 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 models used in determining expected credit losses are reviewed and approved by the Group Credit Model Assessment Committee (CMAC), which is appointed by the Model Risk Committee. The CMAC has the responsibility to assess and approve the use of models and to review all IFRS 9 interpretations related to models. The 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 the CMAC for approval, the models have been 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 model development and calibration process; out-of-sample performance testing; and assessment of compliance review against IFRS 9 rules and internal standards.

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by the IFRS 9 Impairment Committee which is appointed by the Group Risk Committee. The IFRS 9 Impairment Committee 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 override 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 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 reviews and challenges the full extended version of 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.

Standard Chartered Bank
Risk profile
Country Risk (unaudited)

Country cross-border risk is the risk that the Group will be unable to obtain payment from counterparties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency.

The profile of the Group's country cross-border exposures as at 31 December 2018 remained consistent with its strategic focus on core franchise countries. Changes in the pace of economic activity and portfolio management activity had an impact on the growth of cross-border exposure for certain territories.

Country cross-border exposure to China remains predominantly short-term (85 per cent of exposure had a tenor of less than one-year). During 2018, the Group's cross-border exposure to China decreased, primarily driven by a loan portfolio reduction, as well as repayment of some large-scale term and bridge loans.

Country cross-border exposure to Hong Kong rose marginally, with strong loan book growth largely offset by a decline in trade finance exposures; reflecting a more subdued global trade environment and domestic economic headwinds.

Singapore's cross-border exposure declined during 2018 due to a reduction in exposure from corporate business loans and structured finance transactions, partially offset by an uptick in interbank exposures.

The increase in United Arab Emirates cross-border exposure reflects growth in the loan book and trade finance. Growth is supported by new exposures to Abu Dhabi government-related entities and core Dubai corporates, increased refinancing activities and bridging loans to acquisition transactions.

The decrease in cross-border exposure to South Korea reflects a reduction in marketable securities held, as well as economic and external headwinds stemming from uncertainty around the ongoing trade tensions and monetary tightening in the United States.

India's cross-border exposure declined, primarily driven by facility roll-offs on the loan book, as well as a reduction in both issuer risk and private bank exposures.

Cross-border exposure to developed countries in which the Group does not have a major presence, predominantly relates to treasury and liquidity management activities, which can change significantly from period to period. Exposure to such markets also represents global corporate business for customers with interests in our footprint. The increase in exposures to the United States, Germany and Australia are all largely attributed to Group liquidity management operations during the year.

The table below, which is based on the Group's internal country cross-border risk reporting requirements, shows cross-border exposures that exceed 1 per cent of total assets.

	31.12.18			31.12.17		
	Less than one year $million	**More than one year $million**	**Total $million**	Less than one year $million	More than one year $million	Total $million
China[1]	**37,039**	**6,458**	**43,497**	38,676	6,204	44,880
United States	**15,369**	**8,986**	**24,355**	10,068	9,524	19,592
Hong Kong[1]	**11,451**	**8,819**	**20,270**	11,686	7,964	19,650
Singapore	**12,799**	**5,921**	**18,720**	13,555	5,955	19,510
United Arab Emirates	**8,531**	**9,139**	**17,670**	7,932	8,341	16,273
South Korea	**12,210**	**4,550**	**16,760**	14,513	4,331	18,844
India	**10,536**	**5,674**	**16,210**	11,687	5,819	17,506
Germany	**3,236**	**7,080**	**10,316**	3,022	4,505	7,527
Australia	**2,495**	**5,335**	**7,830**	1,916	4,045	5,961

1 Cross border exposures for 31.12.17 (IAS 39) relating to China and Hong Kong have been restated to reflect methodology amendments:
China – Less than one-year bucket restated from $40,351 million to $38,676 million. Consequently the total is restated from $46,455 million to $44,880 million.
Hong Kong – More than one-year bucket restated from $7,867 million to $7,964 million. Consequently the total is restated from $19,552 million to $19,650 million.

Standard Chartered Bank
Risk profile

Traded risk

Traded risk is the potential for loss resulting from activities undertaken by the bank in financial markets. Under the Enterprise Risk Management Framework, the introduction of the Traded Risk Framework in 2018 sought to bring together all risk types exhibiting risk features common to traded risk.

These risk types include Market risk, Counterparty Credit risk, Issuer risk, XVA, Algorithmic Trading and Pension Risk. Traded Risk Management (TRM, formerly Market and Traded Credit Risk) is the core risk management function supporting market-facing businesses, specifically Financial Markets and Treasury Markets.

Market risk

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 152).

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
- Equity risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Market risk changes

The average level of total trading and non-trading VaR in 2018 was 20 per cent lower than in 2017, but the actual level of total VaR as at year end 2018 was 14 per cent higher than in 2017. The reduction in the total average VaR was driven by the non-trading book, where the duration of the portfolio in the first half of 2018 was reduced. However, during the fourth quarter of 2018 the non-trading VaR increased, driven by both an increase in the bond inventory size in high-quality assets from Treasury Markets and reduced portfolio diversification.

For the trading book, the average level of VaR in 2018 was lower than in 2017 by 19 per cent. Trading activities have remained relatively unchanged and client-driven.

Standard Chartered Bank
Risk profile

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

	31.12.18				31.12.17			
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]	**19.2**	**25.9**	**16.6**	**25.9**	22.6	28.5	18.1	18.7
Foreign exchange risk	**4.4**	**8.6**	**2.5**	**7.7**	5.5	12.3	3.0	6.0
Commodity risk	**1.3**	**2.1**	**0.8**	**1.2**	1.2	2.0	0.6	1.0
Equity risk	**4.8**	**6.8**	**2.6**	**2.7**	7.7	8.4	6.4	6.7
Total[4]	**20.6**	**26.1**	**16.4**	**25.5**	25.7	32.4	20.3	22.3

	31.12.18				31.12.17			
Trading[5]	**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]	**8.0**	**11.7**	**6.0**	**7.9**	10.1	13.1	7.7	8.5
Foreign exchange risk	**4.4**	**8.6**	**2.5**	**7.7**	5.5	12.3	3.0	6.0
Commodity risk	**1.3**	**2.1**	**0.8**	**1.2**	1.2	2.0	0.6	1.0
Equity risk	**0.1**	**0.1**	**-**	**-**	0.1	0.4	0.06	0.14
Total[4]	**9.8**	**13.8**	**7.5**	**13.6**	12.1	15.7	8.3	10.9

	31.12.18				31.12.17			
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]	**16.8**	**20.7**	**14.1**	**20.7**	19.5	23.1	14.4	14.4
Equity risk[6]	**4.7**	**6.8**	**2.6**	**2.7**	7.6	8.1	6.2	6.6
Total[4]	**17.2**	**21.3**	**15.3**	**21.3**	21.7	27.6	16.3	16.3

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 as FVPL or FVOCI.

4 The total VaR shown in the tables above is not a 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 (CRDIV/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:

	31.12.18				31.12.17			
	Average $million	**High[1] $million**	**Low[1] $million**	**Actual[2] $million**	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Trading and non-trading	**20.6**	**26.1**	**16.4**	**25.5**	25.7	32.4	20.3	22.3
Trading[4]								
Rates	**5.0**	**7.1**	**3.8**	**5.8**	5.9	8.6	4.4	5.1
Global foreign exchange	**4.4**	**8.6**	**2.5**	**7.7**	5.5	12.3	3.0	6.0
Credit trading and capital markets	**3.8**	**6.1**	**1.8**	**2.9**	4.6	6.9	2.6	4.9
Commodities	**1.3**	**2.1**	**0.8**	**1.2**	1.2	2.0	0.6	1.0
Equities	**0.1**	**0.1**	**-**	**-**	0.1	0.4	0.1	0.1
XVA	**3.1**	**4.1**	**2.3**	**3.5**	5.5	8.3	3.0	3.0
Total[3]	**9.8**	**13.8**	**7.5**	**13.6**	12.1	15.7	8.3	10.9
Non-trading								
Treasury markets	**16.8**	**20.7**	**14.1**	**20.7**	19.5	23.1	14.4	14.4
Listed private equity	**4.7**	**6.8**	**2.6**	**2.7**	7.6	8.1	6.2	6.6
Total[3]	**17.2**	**21.3**	**15.3**	**21.3**	21.7	27.6	16.3	16.3

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 (CRDIV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book

Standard Chartered Bank
Risk profile

Risks not in VaR (unaudited)

In 2018, the main market risk not reflected in VaR was currency risk where the exchange rate is currently pegged or managed. The historical one-year VaR observation period does not reflect the future possibility of a change in the currency regime such as sudden depegging. The other material market risk not reflected in VaR was associated with basis risks where historical market price data for VaR is sometimes more limited, and therefore proxied, generating a potential basis risk. Additional capital is set aside to cover such 'risks not in VaR'. For further details on market risk capital see the Standard Chartered PLC Pillar 3 Disclosures 2018 section on market risk.

Backtesting (unaudited)

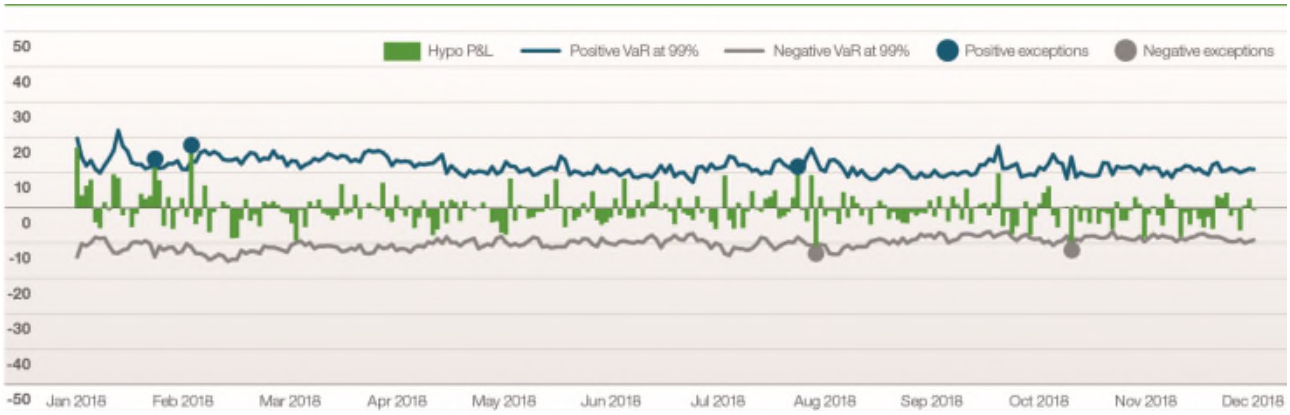
Regulatory backtesting is applied at both Group and Solo levels. In 2018, there have been two negative exceptions at Group level and three at Solo level (in 2017, there was one exception at Group level and one exception at Solo level).

Group and Solo exceptions occurred on 16 August driven by RMB which appreciated sharply due to PBoC intervention following a period of decline. Additionally, Group and Solo exceptions occurred on 2 November driven by TWD and RMB exposures when Asian currencies strengthened on talk of a draft trade deal between the US and China. On 15 November a Solo exception was driven by GBP and USD. GBP depreciated as the draft Brexit agreement ran into difficulties, and US treasury yields fell as a result of safe haven purchases. Three exceptions in a year due to market events is within the 'green zone' applied internationally to internal models by bank supervisors (Basel Committee on Banking Supervision: 'Supervisory framework for the use of backtesting in conjunction with the internal models approach to market risk capital requirements', January 1996).

The graph below illustrates the performance of the VaR model used in capital calculations. It compares the 99 percentile loss confidence level given by the VaR model with the hypothetical profit and loss of each day given the actual market movement without taking into account any intra-day
trading activity.

Standard Chartered Bank
Risk profile

2018 Backtesting Chart
Internal Model Approach regulatory trading book at Group Level
Hypothetical Profit and Loss (P&L) versus VaR (99 percent, one day)



Financial Markets loss days

	31.12.18	31.12.17
Number of loss days reported for Financial Markets trading book total product income[1]	8	15

1 Reflects total product income for Financial Markets:
→ Including CVA and FVA risk
→ Excluding Treasury Markets business (non-trading) and periodic valuation changes for Capital Markets, expected loss provisions and OIS discounting

Standard Chartered Bank
Risk profile

Average daily income earned from market risk related activities[1]

Trading	31.12.18 $million	31.12.17 $million
Interest rate risk	**3.1**	**3.5**
Foreign exchange risk	**3.9**	**3.7**
Commodity risk	**0.8**	**0.6**
Equity risk	**-**	**-**
Total	**7.8**	**7.8**
Non-trading		
Interest rate risk	**2.4**	2.4
Equity risk	**0.4**	0.3
Total	**2.8**	2.7

1 Includes the 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

Mapping of market risk items to the balance sheet (unaudited)

Market risk contributes 7.4 per cent of the Group's regulatory capital risk-weighted asset (RWA) requirement (refer to risk-weighted assets tables (page 174). As highlighted in the VaR disclosure, during 2018 the majority of market risk was managed within Treasury Markets and Financial Markets, which span both the trading book and non-trading book. The non-trading equity market risk is generated by listed private equity holdings within Principal Finance. Treasury manages the market risk associated with debt and equity capital issuance.

	Amounts as per financial statements $million	Exposure to trading risk $million	Exposure to non-trading risk $million	Market risk type
Financial assets				
Derivative financial instruments	46,990	45,386	1,604	Interest rate, foreign exchange, commodity or equity risk
Loans and advances to banks	82,062	19,319	62,743	Interest rate or foreign exchange risk
Loans and advances to customers	299,376	42,436	256,940	Interest rate or foreign exchange risk
Debt securities and other eligible bills	147,614	22,494	125,120	Interest rate mainly, but also foreign exchange or equity risk
Equities	1,832	1,347	485	Equities risk mainly, but also interest or foreign exchange risk
Other assets	35,369	6,666	28,703	Interest rate, foreign exchange, commodity or equity risk
Total	613,243	137,648	475,595	
Financial liabilities				
Deposits by banks	35,017	-	35,017	Interest rate or foreign exchange risk
Customer accounts	437,181	-	437,181	Interest rate or foreign exchange risk
Debt securities in issue	36,593	-	36,593	Interest rate mainly, but also foreign exchange or equity risk
Derivatives financial instruments	47,453	46,839	614	Interest rate, foreign exchange, commodity or equity risk
Short positions	3,226	3,226	-	Interest rate, foreign exchange, commodity or equity risk
Total	559,470	50,065	509,405	

Standard Chartered Bank
Risk profile

Structural foreign exchange exposures

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

	31.12.18	01.01.18	31.12.17
	$million	$million	$million
Hong Kong dollar	**7,786**	7,022	7,113
Indian rupee	**3,819**	4,782	4,806
Renminbi	**2,900**	3,767	3,784
Singapore dollar	**2,797**	2,817	2,915
Korean won	**2,148**	2,284	2,361
Taiwanese dollar	**1,238**	1,569	1,589
UAE dirham	**1,852**	1,785	1,842
Malaysian ringgit	**1,513**	1,453	1,512
Thai baht	**1,304**	1,277	1,277
Indonesian rupiah	**999**	1,073	1,090
Pakistani rupee	**458**	545	543
Other	**3,999**	3,909	4,000
	30,813	32,283	32,832

As at 31 December 2018, the Group had taken net investment hedges using derivative financial investments of $2,137 million (31 December 2017: $2,003 million) to partly cover its exposure to the Korean won, $800 million (31 December 2017: $792 million) to partly cover its exposure to the Taiwanese dollar, $1,606 million (31 December 2017: $490 million) to partly cover its exposure to the Renminbi and $712 million to partly cover its exposure to the 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 $336 million (31 December 2017: $357 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 174).

Standard Chartered Bank
Risk profile

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 section (page 95 to 99).

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 $32,283 million (31 December 2017: $29,135 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. The Group holds $6,834 million (31 December 2017: $6,562 million) under CSAs.

Standard Chartered Bank
Risk profile

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's liquidity and funding risk framework requires each country to ensure that it operates within predefined liquidity limits and remain in compliance with Group liquidity policies and practices, as well as local regulatory requirements.

The Group achieves this through a combination of setting Risk Appetite and associated limits, policy formation, risk measurement and monitoring, prudential and internal stress testing, governance and review.

For further information on the Group's liquidity and funding risk framework refer to the Risk Management Framework (page 141).

Since the beginning of the year, there were no significant changes in treasury policies as disclosed in the 2017 Annual Report and Accounts.

The Group has relatively low levels of sterling and euro funding and exposures within the context of the overall Group balance sheet. The result of the UK referendum to leave the EU has therefore not had a material first order liquidity impact.

Primary sources of funding

The Group's funding strategy is largely driven by its policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet all obligations as they fall due. The Group's funding profile is therefore well diversified across different sources, maturities and currencies.

A substantial portion of our assets are funded by customer deposits aligned with our policy to fund customer assets predominantly using customer deposits. Wholesale funding is diversified by type and maturity and represents a stable source of funds for the Group.

We maintain access to wholesale funding markets in all major financial centres in which we operate. This seeks to ensure that we have market intelligence, maintain stable funding lines and can obtain optimal pricing when performing our interest rate risk management activities.

In 2018, the Group issued approximately $4.6 billion of senior debt securities and $0.5 billion of subordinated debt securities from its holding company (HoldCo) Standard Chartered PLC (2017: $1.5 billion of term senior debt and $1 billion of Additional Tier 1).

Debt refinancing levels are low. In the next 12 months approximately $3.9 billion of the Group's HoldCo senior debt is falling due for repayment either contractually or callable by the Group.

The information presented in the Liquidity pool section (page 127) is on a financial view. This is the location in which the transaction or balance was booked and provides a more accurate view of where liquidity risk is actually located.

The chart below shows the composition of liabilities in which customer deposits make up 63.5 per cent of total liabilities as at 31 December 2018, the majority of which are current accounts, savings accounts and time deposits. Our largest customer deposit base by geography is Greater China & North Asia (in particular Hong Kong), which holds 44.9 per cent of Group customer accounts.

Liquidity and funding risk metrics

We monitor key liquidity metrics regularly, both on a country basis and in aggregate across the Group.

The following liquidity and funding Board Risk Appetite metrics define the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy: Liquidity Coverage Ratio (LCR), liquidity stress survival horizons, external wholesale borrowing, and advances-to-deposits ratio.

Standard Chartered Bank
Risk profile

Liquidity Coverage Ratio (unaudited)

The LCR is a regulatory requirement set to ensure that the Group has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario.

The Group monitors and reports its liquidity position under European Commission Delegated Regulation 2015/61 and has maintained its liquidity position above the prudential requirement.

At the reporting date, the Group LCR was 154 per cent (2017: 146 per cent) with a prudent surplus to both Board-approved Risk Appetite and regulatory requirements. The ratio increased 8 per cent year-on-year due to an increase in our liquidity buffer partially aligned to the growth in our overall balance sheet as we continued to focus on high-quality liquidity across our businesses. We also held adequate liquidity across our footprint to meet all local prudential LCR requirements, where applicable.

	31.12.18 $million	31.12.17 $million
Liquidity buffer	**149,602**	132,251
Total net cash outflows	**97,443**	90,691
Liquidity coverage ratio	**154%**	146%

For a more detailed Group LCR disclosure, refer to Section 6 of the Group's 2018 Pillar 3 Disclosures.

Stressed coverage (unaudited)

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all countries and currencies, such that it can withstand a severe but plausible liquidity stress.

Our approach to managing liquidity and funding is reflected in the following Board-level Risk Appetite statement.

"The Group should hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support."

The 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 Group simultaneously and hence 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.

Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2018 i.e. respective countries are able to survive for a period of time as defined under each scenario. The Combined scenario at 31 December 2018 showed the Group maintained liquidity resources to survive greater than 60 days, as per our Board Risk Appetite. The results take into account currency convertibility and portability constraints across all major presence countries.

Standard Chartered Bank's credit ratings as at 31 December 2018 were A+ with stable outlook (Fitch), A with stable outlook (S&P) and A1 with stable outlook (Moody's). A downgrade in the Group's long-term credit ratings would increase derivative collateral requirements and outflows due to rating-linked liabilities. At 31 December 2018, the estimated contractual outflow of a two-notch long-term ratings downgrade is $1.6 billion (unaudited).

For further information on the Group's liquidity stress testing framework refer to the Risk Management Approach (page 141).

External wholesale borrowing

The Board sets a risk limit to prevent excessive reliance on wholesale borrowing. Limits are applied to all branches and operating subsidiaries in the Group and as at the reporting date the Group remained within Board Risk Appetite.

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.

The advances-to-deposits ratio (2018: 64.9 per cent) decreased from the previous year (2017: 67.0 per cent).

Loans and advances to customers have increased 3 per cent since the end of 2017 to $258 billion. This growth was largely due to higher Corporate Finance balances in Hong Kong as well as growth in our Transaction Banking and Wealth Management businesses. This growth was partially offset by a reduction in lending and retail mortgages primarily due to unfavourable foreign exchange movements in Korea, Singapore and Hong Kong.

Customer accounts have also increased 6 per cent from the end of 2017 to $398 billion as the Group focused on high-quality liquidity across its businesses with an emphasis on Retail Banking, Transaction Banking and other deposits with high liquidity and regulatory value.

Standard Chartered Bank
Risk profile

	31.12.18 $million	31.12.2017[1] $million
Total loans and advances to customers[2]	**258,339**	251,623
Total customer accounts[3]	**397,764**	375,745
Advances-to-deposits ratio	**64.9%**	67.0%

1 The 2017 comparatives have been represented to exclude reverse repurchase agreements of $33,928 million and repurchase agreements of $35,979 million

2 Excludes reverse repurchase agreement and other similar secured lending of $3,151 million and includes loans and advances to customers held at fair value through profit and loss of $4,928 million

3 Includes customer accounts held at fair value through profit or loss of $6,751 million

Net stable funding ratio (NSFR) (unaudited)

On 23 November 2016, the European Commission, as part of a package of risk-reducing measures, proposed a binding requirement for stable funding NSFR at European Union level. The proposal aims to implement the European Banking Authority's interpretation of the Basel standard on NSFR (BCBS295). Pending implementation of the final rules, the Group continues to monitor NSFR in line with the final recommendation from the Basel Committee on Banking Supervision (BCBS).

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 Group NSFR remained above 100 per cent.

Liquidity pool (unaudited)

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $150 billion. The figures in the below table account for haircuts, currency convertibility and portability constraints, 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.

The pool increased $17 billion year-on-year, reflecting overall balance sheet growth as we continued to improve the quality of our funding base and focus on growing quality and RWA efficient assets. Our liquidity pool composition also changed over the period as we increased our holdings of Level 2A LCR eligible securities.

Standard Chartered Bank
Risk profile

Group

	31.12.18				
	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	**16,267**	**2,645**	**1,416**	**28,232**	**48,560**
Central banks, governments /public sector entities	**33,462**	**9,900**	**1,540**	**30,166**	**75,068**
Multilateral development banks and international organisations	**1,543**	**1,451**	**195**	**8,487**	**11,676**
Other	**-**	**-**	**-**	**1,125**	**1,125**
Total Level 1 securities	**51,272**	**13,996**	**3,151**	**68,010**	**136,429**
Level 2 A securities	**3,943**	**1,083**	**60**	**5,296**	**10,382**
Level 2 B securities	**-**	**1,264**	**-**	**1,527**	**2,791**
Total LCR eligible assets	**55,215**	**16,343**	**3,211**	**74,833**	**149,602**

	31.12.17				
	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	13,779	2,400	1,708	33,191	51,078
Central banks, governments /public sector entities	28,187	12,265	1,064	24,464	65,980
Multilateral development banks and international organisations	-	563	159	8,568	9,290
Other	-	-	-	130	130
Total Level 1 securities	41,966	15,228	2,931	66,353	126,478
Level 2 A securities	2,234	825	113	1,147	4,319
Level 2 B securities	-	246	3	1,206	1,455
Total LCR eligible assets	44,200	16,299	3,047	68,706	132,252

Standard Chartered Bank
Risk profile

Company

	31.12.18				
	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	**11,378**	**897**	**996**	**28,232**	**41,503**
Central banks, governments /public sector entities	**27**	**5,502**	**1,122**	**30,166**	**36,817**
Multilateral development banks and international organisations	**-**	**963**	**195**	**8,487**	**9,645**
Other	**-**	**-**	**-**	**1,125**	**1,125**
Total Level 1 securities	**11,405**	**7,362**	**2,313**	**68,010**	**89,090**
Level 2 A securities	**-**	**216**	**60**	**5,296**	**5,572**
Level 2 B securities	**-**	**1,036**	**-**	**1,527**	**2,563**
Total LCR eligible assets	**11,405**	**8,614**	**2,373**	**74,833**	**97,225**

	31.12.17				
	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	7,141	677	1,255	33,191	42,264
Central banks, governments /public sector entities	27	7,976	650	24,464	33,117
Multilateral development banks and international organisations	-	425	159	8,568	9,152
Other	-	-	-	130	130
Total Level 1 securities	7,168	9,078	2,064	66,353	84,663
Level 2 A securities	-	584	113	1,147	1,844
Level 2 B securities	-	246	3	1,206	1,455
Total LCR eligible assets	7,168	9,908	2,180	68,706	87,962

Standard Chartered Bank
Risk profile

Encumbrance (unaudited)

Encumbered assets

Encumbered assets represent on-balance sheet assets pledged or subject to any form of arrangement to secure, collateralise or credit enhance a transaction from which it cannot be freely withdrawn. Cash collateral pledged against derivatives and Hong Kong government certificates of indebtedness, which secure the equivalent amount of Hong Kong currency notes in circulation, are included within Other assets.

Unencumbered – readily available for encumbrance

Unencumbered assets that are considered by the Group to be readily available in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes.

Unencumbered – other assets capable of being encumbered

Unencumbered assets that, in their current form, are not considered by the Group to be readily realisable in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes. Included within this category are loans and advances which would be suitable for use in secured funding structures such as securitisations.

Unencumbered – cannot be encumbered

Unencumbered assets that have not been pledged and cannot be used to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements, as assessed by the Group.

Derivatives, reverse repurchase assets and stock lending

These assets are shown separately as these on-balance sheet amounts cannot be pledged. However, these assets can give rise to off-balance sheet collateral which can be used to raise secured funding or meet additional funding requirements.

The following table provides a reconciliation of the Group's encumbered assets to total assets.

Group	31.12.18									
	Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)						
						Assets not positioned at the central bank				
	Assets	As a result of securitisations	Other	Total	Assets positioned at the central bank (ie pre-positioned plus encumbered)	Readily available for encumbrance	Other assets that are capable of being encumbered	Derivatives and reverse repo/stock lending	Cannot be encumbered	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Cash and balances at central	57,511	-	-	-	8,152	49,359	-	-	-	57,511
Derivative financial instruments	46,990	-	-	-	-	-	-	46,990	-	46,990
Loans and advances to banks	82,062	447	-	447	-	45,620	13,918	20,698	1,379	81,615
Loans and advances to customers	299,376	497	8	505	-	-	243,802	41,037	14,032	298,871
Investment securities	149,446	-	7,521	7,521	-	95,415	40,591	-	5,919	141,925
Other assets	35,369	-	16,287	16,287	-	-	11,439	-	7,641	19,080
Due from Subsidiary undertakings	1,354	-	-	-	-	-	-	-	1,354	1,354
Current tax assets	492	-	-	-	-	-	-	-	492	492
Prepayments and accrued income	2,505	-	-	-	-	-	1,356	-	1,149	2,505
Interests in associates and joint ventures	2,307	-	-	-	-	-	-	-	2,307	2,307
Goodwill and intangible assets	4,632	-	-	-	-	-	1	-	4,631	4,632
Property, plant and equipment	5,983	-	-	-	-	-	400	-	5,583	5,983
Deferred tax assets	1,047	-	-	-	-	-	-	-	1,047	1,047
Assets classified as held for sale	820	-	-	-	-	-	-	-	820	820
Total	689,894	944	23,816	24,760	8,152	190,394	311,507	108,725	46,354	665,132

Standard Chartered Bank
Risk profile

	31.12.17 (IAS 39)									
	Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)						
						Assets not positioned at the central bank				
	Assets $million	As a result of securitisations $million	Other $million	Total $million	Assets positioned at the central bank (i.e. pre-positioned plus $million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central	58,864	-	-	-	9,761	49,103	-	-	-	58,864
Derivative financial instruments	47,755	-	-	-	-	-	-	47,755	-	47,755
Loans and advances to banks	81,315	-	-	-	-	47,370	5,333	21,260	7,352	81,315
Loans and advances to customers	285,551	11	-	11	-	-	232,326	33,928	19,286	285,540
Investment securities	137,857	-	8,213	8,213	178	91,927	29,967	-	7,572	129,644
Other assets	33,380	-	14,930	14,930	-	-	11,566	-	6,884	18,450
Due from Subsidiary undertakings	1,234	-	-	-	-	-	-	-	1,234	1,234
Current tax assets	491	-	-	-	-	-	-	-	491	491
Prepayments and accrued income	2,307	-	-	-	-	-	1,503	-	804	2,307
Interests in associates and joint ventures	2,299	-	-	-	-	-	-	-	2,299	2,299
Goodwill and intangible assets	4,511	-	-	-	-	-	275	-	4,236	4,511
Property, plant and equipment	6,533	-	-	-	-	-	1,148	-	5,385	6,533
Deferred tax assets	1,177	-	-	-	-	-	-	-	1,177	1,177
Assets classified as held for sale	478	-	-	-	-	-	-	-	478	478
Total	663,752	11	23,143	23,154	9,939	188,400	282,118	102,943	57,198	640,598

The Group received $82,534 million (31 December 2017: $72,982 million) as collateral under reverse repurchase agreements, that was eligible for repledging; of this the Group sold or repledged $40,552 million (31 December 2017: $34,018 million) under repurchase agreements.

Company

	31.12.18									
	Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)						
						Assets not positioned at the central bank				
	Assets $million	As a result of securitisations $million	Other $million	Total $million	Assets positioned at the central bank (ie pre-positioned plus encumbered) $million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central	**44,749**	**-**	**-**	**-**	**2,241**	**42,508**	**-**	**-**	**-**	**44,749**
Derivative financial instruments	**46,930**	**-**	**-**	**-**	**-**	**-**	**-**	**46,930**	**-**	**46,930**
Loans and advances to banks	**43,875**	**-**	**242**	**242**	**-**	**18,156**	**8,185**	**16,748**	**544**	**43,633**
Loans and advances to customers	**116,782**	**-**	**275**	**275**	**-**	**-**	**76,389**	**39,161**	**957**	**116,506**
Investment securities	**75,990**	**-**	**2,784**	**2,784**	**-**	**51,958**	**15,699**	**-**	**5,549**	**73,206**
Other assets	**21,631**	**-**	**9,903**	**9,903**	**-**	**-**	**8,709**	**-**	**3,019**	**11,728**
Due from Subsidiary undertakings	**12,025**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,025**	**12,025**
Current tax assets	**284**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**284**	**284**
Prepayments and accrued income	**1,322**	**-**	**-**	**-**	**-**	**-**	**808**	**-**	**514**	**1,322**
Interests in associates and joint ventures	**14,437**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,437**	**14,437**
Goodwill and intangible assets	**2,673**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**2,672**	**2,673**
Property, plant and equipment	**320**	**-**	**-**	**-**	**-**	**-**	**122**	**-**	**198**	**320**
Deferred tax assets	**665**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**665**	**665**
Assets classified as held for sale	**43,655**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43,655**	**43,655**
Total	**425,338**	**-**	**13,204**	**13,204**	**2,241**	**112,622**	**109,913**	**102,839**	**84,519**	**412,133**

Standard Chartered Bank
Risk profile

	31.12.17 (IAS 39)									
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)					
						Assets not positioned at the central bank				
	Assets	As a result of securitisations	Other	Total	Assets positioned at the central bank (ie pre-positioned plus	Readily available for encumbrance	Other assets that are capable of being encumbered	Derivatives and reverse repo/stock lending	Cannot be encumbered	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Cash and balances at central	44,951	-	-	-	2,591	42,360	-	-	-	44,951
Derivative financial instruments	47,535	-	-	-	-	-	-	47,535	-	47,535
Loans and advances to banks	50,204	-	-	-	-	22,677	4,328	16,054	7,145	50,204
Loans and advances to customers	130,724	11	-	11	-	-	89,599	32,054	9,060	130,713
Investment securities	72,033	-	3,780	3,780	178	57,144	5,371	-	5,560	68,253
Other assets	22,881	-	9,258	9,258	-	-	9,102	-	4,521	13,623
Due from Subsidiary undertakings and other related parties	16,629	-	-	-	-	-	-	-	16,629	16,629
Current tax assets	373	-	-	-	-	-	-	-	373	373
Prepayments and accrued income	1,199	-	-	-	-	-	686	-	513	1,199
Interests in associates and joint ventures	14,377	-	-	-	-	-	-	-	14,377	14,377
Goodwill and intangible assets	2,500	-	-	-	-	-	11	-	2,489	2,500
Property, plant and equipment	449	-	-	-	-	-	170	-	279	449
Deferred tax assets	780	-	-	-	-	-	-	-	780	780
Assets classified as held for sale	5	-	-	-	-	-	-	-	5	5
Total	404,640	11	13,038	13,049	2,769	122,181	109,267	95,643	61,731	391,591

Standard Chartered Bank
Risk profile

Liquidity analysis of the Group's balance sheet

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 61 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

	31.12.18								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Assets									
Cash and balances at central banks	49,359	-	-	-	-	-	-	8,152	57,511
Derivative financial instruments	8,291	5,885	5,726	3,517	2,350	4,478	8,087	8,656	46,990
Loans and advances to banks[1,2]	38,327	20,549	11,209	5,214	2,835	2,584	1,064	280	82,062
Loans and advances to customers[1,2]	84,853	33,771	18,117	11,641	10,321	17,518	39,306	83,849	299,376
Investment securities	15,297	13,589	14,131	14,300	17,402	25,180	31,878	17,669	149,446
Other assets	21,211	8,837	2,087	223	134	91	149	21,777	54,509
Total assets	217,338	82,631	51,270	34,895	33,042	49,851	80,484	140,383	689,894
Liabilities									
Deposits by banks[1,3]	30,368	2,593	572	553	397	244	230	60	35,017
Customer accounts[1,4]	331,633	51,553	23,643	10,966	11,634	3,631	1,154	2,967	437,181
Derivative financial instruments	7,732	6,090	6,068	3,557	2,153	5,258	8,898	7,697	47,453
Senior debt	227	929	509	2,356	667	799	913	4,112	10,512
Other debt securities in issue[1]	4,893	9,793	8,062	177	715	1,029	16	1,396	26,081
Due to parent companies and other related undertakings	18,000	-	-	-	-	-	-	-	18,000
Other liabilities	22,762	8,592	4,003	852	514	866	377	11,608	49,574
Subordinated liabilities and other borrowed funds	23	-	-	-	-	2,749	4,013	6,460	13,245
Total liabilities	415,638	79,550	42,857	18,461	16,080	14,576	15,601	34,300	637,063
Net liquidity gap	(198,300)	3,081	8,413	16,434	16,962	35,275	64,883	106,083	52,831

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 (pages 214 to 253)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $61.7 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $ 5.0 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $ 39.4 billion

Standard Chartered Bank
Risk profile

	31.12.17								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Assets									
Cash and balances at central banks	49,103	-	-	-	-	-	-	9,761	58,864
Derivative financial instruments	6,285	7,705	5,930	3,537	2,606	5,427	7,111	9,154	47,755
Loans and advances to banks[1,2]	36,538	21,238	12,042	4,299	3,612	1,588	1,386	612	81,315
Loans and advances to customers[1,2]	87,794	32,629	17,459	11,357	8,532	17,500	37,237	73,043	285,551
Investment securities	14,185	18,208	13,663	11,213	9,145	22,369	31,660	17,414	137,857
Other assets	19,346	4,465	2,499	103	245	128	114	25,510	52,410
Total assets	213,251	84,245	51,593	30,509	24,140	47,012	77,508	135,494	663,752
Liabilities									
Deposits by banks[1,3]	29,365	2,484	1,437	530	730	154	135	651	35,486
Customer accounts[1,4]	327,434	37,178	19,716	10,775	9,321	3,115	1,746	2,439	411,724
Derivative financial instruments	8,010	8,035	6,068	3,544	2,685	5,057	7,794	7,178	48,371
Senior debt	67	224	475	53	457	1,226	75	-	2,577
Other debt securities in issue[1]	4,139	10,616	10,694	2,005	779	1,092	794	4,508	34,627
Due to parent companies and other related undertakings	15,949	-	-	-	-	-	-	-	15,949
Other liabilities	20,230	5,875	3,578	661	276	691	798	13,059	45,168
Subordinated liabilities and other borrowed funds	-	85	1,382	-	-	-	4,438	9,666	15,571
Total liabilities	405,194	64,497	43,350	17,568	14,248	11,335	15,780	37,501	609,473
Net liquidity gap	(191,943)	19,748	8,243	12,941	9,892	35,677	61,728	97,993	54,279

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 (pages 214 to 253)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $55.2 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $ 3.8 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $ 36.0 billion

Standard Chartered Bank
Risk profile

Company

	31.12.18								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Assets									
Cash and balances at central banks	42,508	-	-	-	-	-	-	2,241	44,749
Derivative financial instruments	6,981	6,056	5,813	3,438	2,391	4,616	8,268	9,367	46,930
Loans and advances to banks[1,2]	22,520	7,460	7,264	2,060	1,644	2,327	569	31	43,875
Loans and advances to customers[1,2]	44,913	17,378	10,327	4,868	2,473	5,930	18,675	12,218	116,782
Investment securities	2,139	2,608	4,685	5,922	10,275	16,284	20,998	13,079	75,990
Investment in subsidiary undertaking	-	-	-	-	-	-	-	13,598	13,598
Other assets	17,802	6,487	1,369	81	47,211	74	117	(1,752)	71,389
Due from subsidiary undertakings and other related parties	12,025	-	-	-	-	-	-	-	12,025
Total assets	148,888	39,989	29,458	16,369	63,994	29,231	48,627	48,782	425,338
Liabilities									
Deposits by banks[1,3]	23,941	2,326	369	158	296	32	28	48	27,198
Customer accounts[1,4]	114,554	30,762	7,440	3,463	2,998	1,160	409	327	161,113
Derivative financial instruments	7,541	6,116	6,045	3,448	2,073	4,992	8,580	7,873	46,668
Senior debt	179	772	354	789	267	761	671	3,318	7,111
Other debt securities in issue[1]	4,631	9,313	6,252	971	409	241	5	1	21,823
Due to parent companies and other related undertakings	40,697	-	-	-	-	-	-	-	40,697
Other liabilities	17,264	5,798	1,937	548	47,599	612	259	(3,371)	70,646
Subordinated liabilities and other borrowed funds	-	-	-	-	-	1,994	4,013	6,460	12,467
Total liabilities	208,807	55,087	22,397	9,377	53,642	9,792	13,965	14,656	387,723
Net liquidity gap	(59,919)	(15,098)	7,061	6,992	10,352	19,439	34,662	34,126	37,615

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 (pages 214 to 253)

2 Loans and advances include reverse repurchase agreements and other similar secured lending borrowing of $55.9 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $ 4.7 billion

4 Customer accounts include repurchase agreements and other similar secured lending borrowing of $ 37.9 billion

Standard Chartered Bank
Risk profile

	31.12.17								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Assets									
Cash and balances at central banks	42,360	-	-	-	-	-	-	2,591	44,951
Derivative financial instruments	6,631	7,947	5,893	3,325	2,435	5,287	7,186	8,831	47,535
Loans and advances to banks[1,2]	20,998	12,998	8,802	2,567	2,347	1,103	1,117	272	50,204
Loans and advances to customers[1,2]	54,084	21,388	8,276	4,403	3,685	7,402	18,800	12,686	130,724
Investment securities	3,291	4,413	6,766	4,798	5,403	9,696	24,158	13,508	72,033
Investiment in subsidiary undertaking	-	-	-	-	-	-	-	13,517	13,517
Other assets	17,724	2,733	1,972	42	94	42	-	6,440	29,047
Due from subsidiary undertakings and other related parties	16,629	-	-	-	-	-	-	-	16,629
Total assets	161,717	49,479	31,709	15,135	13,964	23,530	51,261	57,845	404,640
Liabilities									
Deposits by banks[1,3]	23,889	1,990	1,020	360	354	108	103	30	27,854
Customer accounts[1,4]	136,352	23,303	9,675	5,136	2,511	2,005	818	459	180,259
Derivative financial instruments	7,974	8,422	5,962	3,330	2,497	4,786	7,486	7,079	47,536
Senior debt	-	-	-	-	-	-	-	-	-
Other debt securities in issue[1]	3,625	9,414	9,646	1,695	680	1,018	784	3,276	30,138
Due to parent companies and other related undertakings	34,261	-	-	-	-	-	-	-	34,261
Other liabilities	16,878	4,104	2,872	551	99	633	575	4,419	30,131
Subordinated liabilities and other borrowed funds	1	-	1,382	-	-	-	3,645	9,664	14,692
Total liabilities	222,980	47,233	30,557	11,072	6,141	8,550	13,411	24,927	364,871
Net liquidity gap	(61,263)	2,246	1,152	4,063	7,823	14,980	37,850	32,918	39,769

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 (pages 214 to 253)

2 Loans and advances include reverse repurchase agreements and other similar secured lending borrowing of $48.1 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $ 3.3 billion

4 Customer accounts include repurchase agreements and other similar secured lending borrowing of $ 34.5 billion

Standard Chartered Bank
Risk profile

Behavioural maturity of financial assets and liabilities

The cash flows presented in the previous section reflect the cash flows 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 cash flow. 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 cash flows 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 cash flows, 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, all 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

	31.12.18								
	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	**30,467**	**2,609**	**593**	**569**	**409**	**267**	**250**	**62**	**35,226**
Customer accounts	**332,115**	**51,845**	**24,686**	**11,094**	**11,780**	**3,700**	**1,226**	**3,552**	**439,998**
Derivative financial instruments[1]	**45,909**	**137**	**141**	**9**	**91**	**31**	**679**	**456**	**47,453**
Debt securities in issue	**5,137**	**11,337**	**8,617**	**2,545**	**1,387**	**1,838**	**928**	**6,367**	**38,156**
Subordinated liabilities and other borrowed funds	**23**	**73**	**129**	**82**	**138**	**3,149**	**4,944**	**13,680**	**22,218**
Other liabilities	**19,538**	**8,650**	**4,003**	**889**	**497**	**883**	**383**	**12,220**	**47,063**
Total liabilities	**433,189**	**74,651**	**38,169**	**15,188**	**14,302**	**9,868**	**8,410**	**36,337**	**630,114**

	31.12.17								
	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	29,427	2,497	1,460	-	545	743	160	847	35,679
Customer accounts	327,487	37,353	19,965	-	10,901	9,463	3,178	4,759	413,106
Derivative financial instruments[1]	47,537	-	3	-	153	166	246	266	48,371
Debt securities in issue	4,203	10,860	10,465	-	2,074	1,255	2,366	6,815	38,038
Subordinated liabilities and other borrowed funds	1	123	1,428	-	1	87	97	2,774	4,511
Other liabilities	20,599	5,938	3,582	671	297	715	830	11,147	43,779
Total liabilities	429,254	56,771	36,903	671	13,971	12,429	6,877	26,608	583,484

[1] Derivatives are on the discounted basis

Standard Chartered Bank
Risk profile

Company

	31.12.18								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Deposits by banks	**24,881**	**2,331**	**378**	**159**	**296**	**32**	**28**	**48**	**28,153**
Customer accounts	**120,907**	**32,016**	**9,153**	**3,824**	**3,469**	**1,187**	**417**	**332**	**171,305**
Derivative financial instruments[1]	**45,124**	**137**	**141**	**9**	**91**	**31**	**679**	**456**	**46,668**
Debt securities in issue	**4,821**	**10,091**	**6,630**	**1,765**	**679**	**1,007**	**677**	**3,371**	**29,041**
Subordinated liabilities and other borrowed funds	**-**	**70**	**82**	**70**	**100**	**2,316**	**4,781**	**13,532**	**20,951**
Other liabilities	**15,091**	**5,843**	**1,933**	**684**	**47,599**	**612**	**259**	**2,814**	**74,835**
Total liabilities	**210,824**	**50,488**	**18,317**	**6,511**	**52,234**	**5,185**	**6,841**	**20,553**	**370,953**

	31.12.17								
	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million
Deposits by banks	23,942	1,993	1,026	-	361	354	108	133	27,917
Customer accounts	136,481	23,393	9,791	-	5,193	2,571	2,028	2,919	182,376
Debt securities in issue	46,702	-	3	-	153	166	246	266	47,536
Derivative financial instruments[1]	3,615	9,422	9,665	-	1,698	682	1,028	5,942	32,052
Subordinated liabilities and other borrowed funds	-	37	1,405	-	-	64	50	1,802	3,358
Other liabilities	16,272	4,117	2,854	551	112	650	575	2,407	27,538
Total liabilities	227,012	38,962	24,744	551	7,517	4,487	4,035	13,469	320,777

[1] Derivatives are on the discounted basis

Standard Chartered Bank
Risk profile

Interest rate risk in the banking book (unaudited)

The following table provides the estimated impact on the Group's Earnings of a 50bps parallel shock (up and down) across all yield curves. The sensitivities shown represent the estimated change in base case projected net interest income, plus the change in interest rate implied income and expense from FX swaps used to manage banking book currency positions, under the two interest rate shock scenarios.

The interest rate sensitivities are indicative and based on simplified scenarios, estimating the aggregate impact of an instantaneous 50bps 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. 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.

	31.12.18			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	**USD bloc**	**HKD, SGD & KRW bloc**	**Other currency bloc**	**Total**
	$million	**$million**	**$million**	**$million**
+ 50bps	**10**	**110**	**90**	**210**
- 50bps	**(20)**	**(70)**	**(90)**	**(180)**

	31.12.17			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc	HKD, SGD & KRW bloc	Other currency bloc	Total
	$million	$million	$million	$million
+ 50bps	70	120	140	330
- 50bps	(50)	(100)	(140)	(290)

As at 31 December 2018, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50bps to be an earnings benefit of $210 million. The corresponding impact from a parallel decrease of 50bps would result in an earnings reduction of $180 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. The current estimate for US dollar sensitivity has reduced since December 2017 on rising deposit sensitivity to changes in interest rates.

The US dollar sensitivity is also impacted by the dampening effect due to the asymmetry of funding trading book assets with banking book liabilities. The sensitivities include the cost of banking book liabilities used to fund the trading book, however the revenue associated with the trading book positions is recognised in net trading income. This asymmetry in both the up and down scenarios should be broadly offset within total operating income.

Standard Chartered Bank
Risk profile

Operational risk (unaudited)

Operational risks arise from the processes executed within the Group. Risks associated with these processes are mapped into a Group Process Universe where the standardised Control Assessment Standards are applied. The standards are benchmarked against regulatory requirements.

A summary of our operational risk management approach is provided in the Risk management approach (page 141).

Operational risk profile

The operational risk profile is the Group's overall exposure to non-financial risk, at a given point in time, covering all Principal Risk Types. The operational risk profile comprises both operational risk events (including losses) and the current exposures to non-financial risks.

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 2018, recorded operational losses for 2018 are lower than 2017. Operational losses in 2018 comprise unrelated non-systemic events which were not individually significant.

Losses in 2017 include incremental events that were recognised in 2018 and reclassification of Basel event types and Basel business lines. As at 31 December 2018, the largest loss recorded for 2017 relates to an internal fraud loss of $21.7 million in the Retail Banking Basel business line.

The Group's profile of operational loss events in 2018 and 2017 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business line. This does not include provision made for potential penalties relating to US investigation, the FCA decision and previously disclosed foreign trading issues, which will be assessed when settled. Further details are set out in Note 26 on page 305.

	% Loss	
Distribution of operational losses by Basel business line	**31.12.18**	31.12.17
Agency services	1.4%	3.3%
Commercial Banking	6.7%	7.6%
Corporate Finance	–	–
Corporate items	5.5%	4.0%
Payment and settlements	14.6%	1.7%
Retail Banking	53.8%	41.5%
Retail brokerage	0.1%	0.1%
Trading and sales	17.9%	41.8%

The Group's profile of operational loss events in 2018 and 2017 is also summarised by Basel event type in the table below. It shows the percentage distribution of gross operational losses by Basel event type. This does not include provision made for potential penalties relating to US investigation, the FCA decision and previously disclosed foreign trading issues, which will be assessed when settled. Further details are set out in Note 26 on page 305.

	% Loss	
Distribution of operational losses by Basel event type	**31.12.18**	31.12.17
Business disruption and system failures	5.8%	0.6%
Clients products and business practices	1.9%	43.8%
Damage to physical assets	0.1%	0.0%
Employment practices and workplace safety	0.2%	0.0%
Execution delivery and process management	53.1%	33.0%
External fraud	36.4%	21.8%
Internal fraud	2.5%	0.8%

Other principal risks (unaudited)

Losses arising from operational failures for other principal risks (for example: Compliance, Conduct, Reputational, Information and Cyber Security and Financial Crime) are reported as operational losses. Operational losses do not include operational risk-related credit impairments.

Enterprise Risk Management Framework

Effective risk management is essential in providing consistent and sustainable performance for all of our stakeholders and is therefore a central part of the financial and operational management of the Group. The Group adds value to clients, and therefore the communities in which they operate, generating returns for shareholders by taking and managing risk.

The Enterprise Risk Management Framework (ERMF), launched in January 2018, enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. The ERMF has been designed with the explicit goal of improving the Group's risk management. Over the year, awareness of the ERMF has increased significantly and we have made good progress in delivering the key initiatives started in 2017 to embed the framework across the organisation.

Key initiatives achieved in 2018

Throughout the year, awareness of the ERMF has increased leading to a stronger risk culture across the three lines of defence. We have:

- Formalised the links between our strategy, Risk Appetite and risk identification to develop management processes that clearly integrate risk considerations into strategic decision-making
- Established clear individual accountability for risk management
- Enhanced our risk scanning processes to enable more dynamic and forward-looking assessments of risk
- Established a well-balanced risk taxonomy including financial and non-financial Principal Risk Types as defined on page 144
- Developed consistent, integrated and distinct Risk Type Frameworks for our ten Principal Risk Types
- Increased Risk Appetite coverage on non-financial Principal Risk Types
- Aligned our risk committees to the ERMF. Furthermore, to ensure adequate coverage of non-financial Principal Risk Types, we have remodelled the Group Operational Risk Committee to the Group Non-Financial Risk Committee
- Completed a 2018 ERMF Effectiveness Review which provides an objective baseline against which progress can be measured over the coming years.

We will carry this momentum into 2019 as we continue to roll out the ERMF and Risk Type Frameworks across the Group, including the branches and subsidiaries, as well as launching training programmes to ensure awareness and stakeholder engagement.

Risk culture

The Group's risk culture provides guiding principles for the behaviours expected from our people when managing risk. The Board 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 shall take the opportunity to learn from our experience and formalise what we can do to improve. 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 by:

- Including in the strategy review process, 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
- Including in the strategy review process, a confirmation that growth plans and strategic initiatives can be delivered within the approved Risk Appetite and/or proposing additional Risk Appetite for Board consideration
- Validating the Corporate Plan against the approved or proposed Risk Appetite Statement to the Board. The Board 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 ERMF and the Group Risk Appetite Statement where projections allow

Standard Chartered Bank
Risk profile

Roles and responsibilities

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 on the next page.

Senior Managers' Regime

Roles and responsibilities under the ERMF 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 ERMF and for identifying material risk types to which the Group may be potentially exposed. The Group Chief Risk Officer delegates effective implementation of the Risk Type Frameworks to Risk Framework Owners who provide second line of defence oversight for the Principal Risk Types.

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk across the Group, and ensuring that business is conducted in line with regulatory expectations.
The Group Chief Risk Officer directly manages the Risk function that is separate and independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- Maintaining the ERMF, ensuring it remains relevant and appropriate to the Group's business activities, 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 this proper assessment and that risks are controlled in accordance with the Group's standards and Risk Appetite, and
- Overseeing and challenging the management of Principal Risk Types under the ERMF

Lines of defence	Definition	Key responsibilities include
1st	The businesses and functions engaged in or supporting revenue-generating activities that own and manage risks	-> Propose the risks required to undertake revenue-generating activities -> Identify, monitor and escalate risks and issues to the second line and senior management[1] and promote a healthy risk culture and good conduct -> 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, the Management Team and the Board	-> Identify, monitor and escalate risks and issues to the Group Chief Risk Officer, senior management[1] and the Board 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 Board, monitor and report adherence to Risk Appetite and intervene to curtail business if it is not in line with existing or adjusted Risk Appetite -> Set risk data aggregation, risk reporting and data quality requirements
3rd	The independent assurance provided by the Group Internal Audit function on the effectiveness of controls that support the first line's risk management of business activities, and the processes maintained by the second line. Its role is defined and overseen by the Audit Committee of the Board	-> Independently assess whether management has identified the key risks in the business 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)

Standard Chartered Bank

Risk profile

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.

As of 1st January 2019, we have rebranded the Compliance function as Conduct, Financial Crime and Compliance (CFCC), reflecting the integration of the different areas within the function, under the Management Team leadership of the Group Head CFCC. CFCC works alongside the Risk function, within the framework of the ERMF, to deliver an aligned Second Line of Defence.

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 Board. 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 Board 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 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 required by our stakeholders 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.

To keep the Group's Risk profile within Risk Appetite (and therefore also risk capacity), we have cascaded critical Group Risk Appetite metrics across our Principal Risk Types to countries with significant business operations. These are 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 Board Risk Committee and the Group Risk Committee, including the status of breaches and remediation plans where applicable. Country Risk Appetite is managed at a country level with Group and regional oversight.

The Group Risk Committee, the Group Financial Crime Risk Committee, the Group Non-Financial Risk Committee and the Group Asset and Liability Committee are responsible for ensuring that our risk profile is managed in compliance with the Risk Appetite set by the Board. The Board Risk Committee and the Board Financial Crime Risk Committee (for Financial Crime Compliance) advise the Board on the Risk Appetite Statement and monitor the Group's compliance with it.

The individual Principal Risk Types' Risk Appetite Statements approved by the Board are set out in the Principal Risks section (pages 148 to 150)

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.

To facilitate the above, the Group maintains a dynamic risk scanning process with inputs on the internal and external risk environment, as well as considering potential threats and opportunities from the business and client perspectives. The Group maintains an inventory of the Principal Risk Types and sub-types that are inherent to the strategy and business model, near-term emerging risks that can be measured and mitigated to some extent, and uncertainties that are longer-term matters that should be on the radar but are not yet fully measurable.

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- Does not have a portfolio with excessive concentrations of risk 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, 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 the impact

Enterprise stress tests include Capital and Liquidity Adequacy Stress Tests, including in the context of recovery and resolution, and stress tests that assess scenarios where our business model becomes unviable, such as reverse stress tests.

Stress tests are performed at Group, country, business and portfolio level. Bespoke scenarios are applied to our traded and liquidity positions as described in the sections on Traded Risk on page 118 and Liquidity Risk on page 125. In addition to these, our stress tests also focus on the potential impact of macroeconomic, geopolitical and physical events on relevant regions, client segments and risk types.

The Board delegates approval of stress test submissions to the Bank of England to the Board Risk Committee who reviews the recommendations from the Stress Testing Committee. The Stress Testing Committee is appointed by the Group Risk Committee to review and challenge the stress test scenarios, assumptions and results.

Based on the stress test results, the Group Chief Risk Officer and Group Chief Financial Officer can implement strategic actions to ensure that the Group Strategy remains within the Board-approved Risk Appetite.

Principal Risk Types

Principal Risk Types are risks that are inherent in our strategy and our business model and have been formally defined in the Group's ERMF. These risks are managed through distinct Risk Type Frameworks (RTF) which are approved by the Group Chief Risk Officer. The Principal Risk Types and associated Risk Appetite Statements are approved by the Board.
In 2018, through the development of the RTFs, we have revised the definition of certain Principal Risk Types to describe the risks or failures more explicitly. In addition, Market Risk has been renamed to Traded Risk to encompass all sensitivities to traded price risk. Traded risk now includes Market Risk, Counterparty Credit Risk, value adjustments, Pension Risk and algorithmic trading as risk sub-types. The table below shows the Group's current Principal Risk Types.

Principal Risks Types	Definition
Credit Risk	➔ Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group
Country Risk	➔ Potential for losses due to political or economic events in a country
Traded Risk	➔ Potential 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: potential for loss where we may not have sufficient stable or diverse sources of funding or financial resources to meet our obligations as they fall due
Operational Risk	➔ Potential for loss resulting from inadequate or failed internal processes and systems, human error, or from the impact of external events (including legal risks)
Reputational Risk	➔ Potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation because of stakeholders taking a negative view of the organisation, its actions or inactions – leading stakeholders to change their behaviour
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
Conduct Risk	➔ Risk of detriment to the Group's customers and clients, investors, shareholders, market integrity, competition and counterparties or from the inappropriate supply of financial services, including instances of willful or negligent misconduct
Information and Cyber Security Risk	➔ Potential for loss from a breach of confidentiality, integrity and availability of the Group's information systems and assets through cyber attack, insider activity, error or control failure
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 and anti-bribery and corruption

Further details of our principal risks and how these are being managed are set out in the Principal Risks section (pages 148 to 150)

ERMF Effectiveness Reviews

The Group Chief Risk Officer is responsible for annually affirming the effectiveness of the ERMF to the Board Risk Committee. To facilitate this, an effectiveness review was carried out which follows the principle of evidence-based self-assessments, for all the Risk Type Frameworks and relevant policies.

The ERMF Effectiveness Review conducted in 2018 provides an objective baseline against which progress can be measured over the coming years. The 2018 Effectiveness Review has shown that:

- The ERMF has been effectively designed to improve the Group's risk management practices through mechanisms which enable management to consistently assess the risk management practices across all risk types, proactively self-identify gaps or improvement opportunities, and develop action plans
- Through the framework, the Group is now able to tangibly measure and monitor effectiveness of its risk management practices
- Financial risks are managed more effectively on a relative basis as compared with the non-financial risks reflecting the maturity of these risk type frameworks

Over the course of 2019, the Group aims to further strengthen its risk management practices and work is underway to fully embed the Risk Type Frameworks for the non-financial risks.

Executive and Board risk oversight

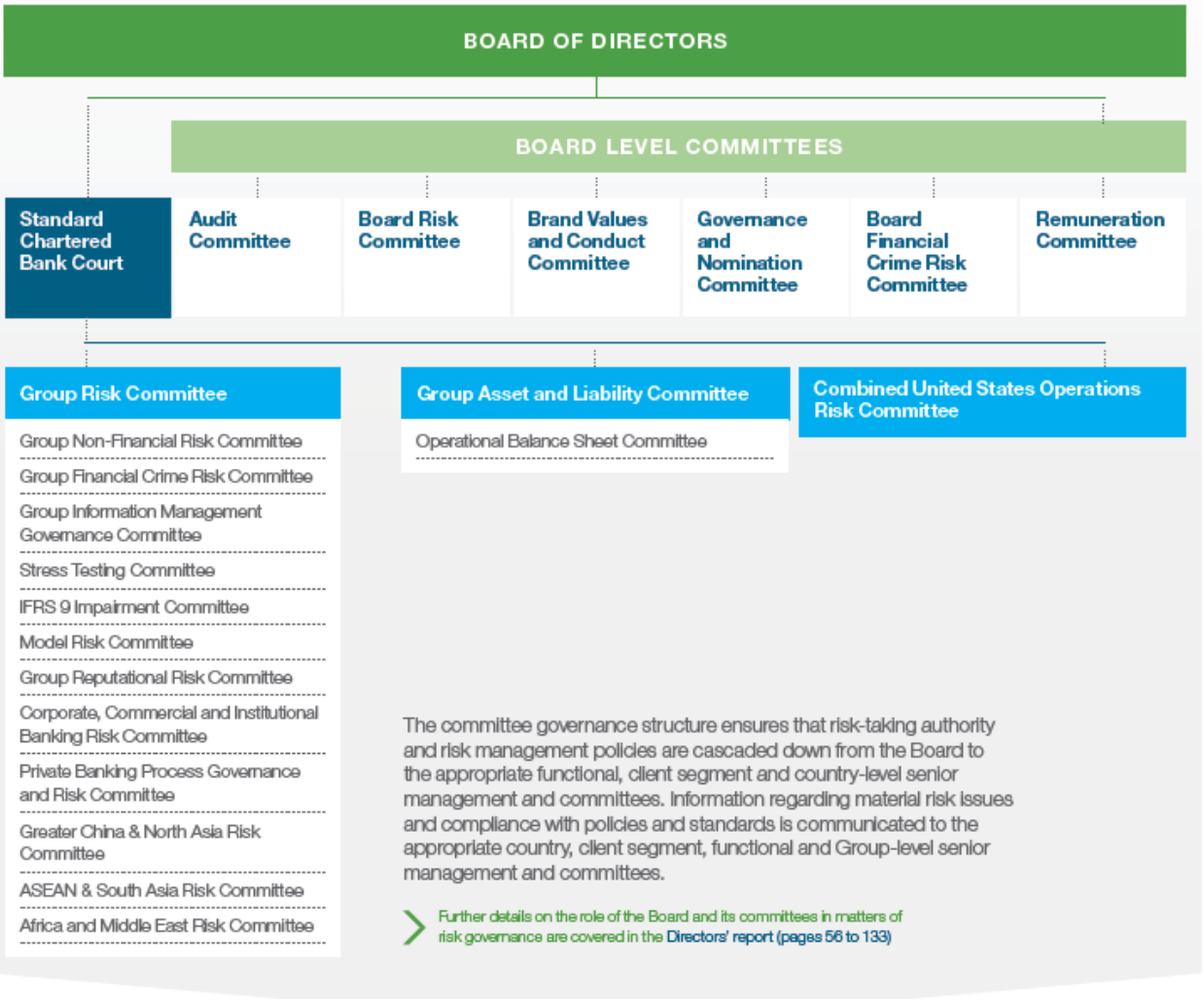
Overview

The Board has ultimate responsibility for risk management and is supported by the six Board-level committees. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Group Risk Appetite Statement other than sections related to Financial Crime Risk. Financial Crime Risk Appetite is reviewed and recommended to the Board by the Board Financial Crime Risk Committee.

The Board appoints the Standard Chartered Bank Court to maintain a sound system of internal control and risk management. The Group Risk Committee, through its authority received from the Court, oversees effective implementation of the ERMF. The Group Chief Risk Officer, as Chair of the Group Risk Committee, approves the use of sub-committees to support the Group Risk Committee to ensure effective risk management across the Group in support of the Group's strategy.

The Board Risk Committee receives regular reports on risk management, including the Group's portfolio trends, policies and standards, stress testing, and liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. The Board Risk Committee also conducts deep-dive reviews on a rolling basis of different sections of the consolidated risk information report that is provided at each scheduled committee meeting.

Risk committee governance structure



Group Risk Committee

The Group 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 Group Risk Committee, whose members are drawn from the Group's Management Team. The Committee determines the ERMF 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 Board Risk Committee, the Group Risk Committee and Group Asset and Liability 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.

Group Risk Committee sub-committees

The Group Non-Financial Risk Committee, chaired by the Group Head, Operational Risk, was established in 2018 to replace the Group Operational Risk Committee and ensures effective management of inherent non-financial principal risks throughout the Group. The non-financial Principal Risk Types in scope governed under the Group Non- Financial Risk Committee are Operational Risk, Compliance Risk, Conduct Risk, Information and Cyber Security Risk and Reputational risk that is consequential in nature arising from the failure of all other principal risks (secondary Reputational Risk). The Committee also reviews and challenges the adequacy of the internal control systems across all Principal Risk Types.

The Group Financial Crime Risk Committee, chaired by the Group Head, CFCC, provides oversight of the effectiveness of the Group's policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor, prevent and/or detect money laundering, non-compliance with sanctions, bribery, corruption and tax crime by third parties.

The Group Information Management Governance Committee, chaired by the Group Chief Information Officer, ensures that the Group has an effective strategy and approach for data quality management framework, and that priorities, standards and metrics are in place and maintained taking into account the information-related requirements of internal and external stakeholders.

The Stress Testing Committee, chaired by the Global Head, Enterprise Risk Management, ensures the effective management of capital and liquidity-related enterprise stress testing in line with the Group's enterprise stress testing policy and applicable regulatory

requirements. In addition, the Committee approves and provides oversight over stress testing models pertaining to Credit Risk, Traded Risk, Liquidity Risk and valuation models.

The IFRS 9 Impairment Committee, chaired by the Global Head, Enterprise Risk Management, ensures the effective management of expected credit loss computation as well as stage allocation of financial assets for quarterly financial reporting within the authorities set by the Group Risk Committee.

The Model Risk Committee, chaired by the Global Head, Enterprise Risk Management, ensures the effective measurement and management of model risk in support of the Group's strategy. The Committee also defines and approves the Group's model Risk Appetite, approves the Group's most material models and monitors the Group's model landscape and risk profile against the model Risk Appetite.

The Group Reputational Risk Committee, chaired by the Group Head, CFCC, oversees the effective management of Reputational Risk across the Group, including risks arising from decisions related to clients, products, transactions or pursuit of strategy at the time of decision-making (primary Reputational risk) and secondary Reputational Risk. The Committee takes decisions on material and thematic Reputational Risk issues.

The Corporate, Commercial & Institutional Banking Risk Committee (CCIBRC) covers risks arising from the Group's activities in Corporate & Institutional Banking and Commercial Banking globally and in the Europe & Americas region as well as Group-wide Traded risk, including oversight for Treasury Markets. The CCIBRC is chaired by the Chief Risk Officer, Corporate & Institutional Banking.

The Private Banking Process Governance and Risk Committee covers risks arising from the Group's activities in Private Banking and Wealth Management globally. It is jointly chaired by the Chief Risk Officer, Commercial Banking and Private Banking and the Global Head, Private Banking and Wealth Management.

The three regional risk committees, chaired by the Chief Risk Officer for each respective region, cover risks arising from their respective regions.

Group Asset and Liability Committee

The Group Asset and Liability Committee is chaired by the Group Chief Financial Officer. Its members are drawn principally from the 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.

Combined United States Operations Risk Committee

The Combined United States Operations Risk Committee was established in 2016 to comply with the Dodd-Frank Act section 165 Enhanced Prudential Standards (EPS Rules). The EPS Rules legislated a number of enhanced obligations on the US operations commensurate with its structure, risk profile, complexity, activities and size. The Committee receives its authority from the Court of Standard Chartered Bank and is chaired by the Group Chief Risk Officer with membership drawn from the Court of Standard Chartered Bank and one iNED of Standard Chartered PLC. Its responsibilities are drawn from the EPS Rules and pertain to liquidity, risk governance and oversight.

Principal risks

We manage and control our Principal Risk Types through distinct Risk Type Frameworks, policies and Board-approved Risk Appetite.

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 Credit Risk Type Frameworks for the Group are set and owned by the Chief Risk Officers for the Corporate & Institutional Banking, Commercial Banking, Private Banking, and Retail Banking 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, to ensure that credit risks are properly assessed and are transparent, credit decisions are controlled in accordance with the Group's Risk Appetite and credit policies and standards.

Credit policies and standards are established and approved by the Credit Risk Type Framework owners or by individuals with delegated authorities. Segment specific policies are in place for the management of Credit risk. For Corporate & Institutional Banking and Commercial Banking, policies address large exposures, credit initiation, approval, monitoring, credit grading and documentation. For Retail Banking, policies address management of retail and business banking lending, account and portfolio monitoring, collections management and forbearance programmes. In addition, there are other Group-wide policies integral to Credit Risk management such as those relating to stress testing, risk measurement and impairment provisioning.

Mitigation

The Group credit policies set out the key considerations for eligibility, enforceability and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from any given account, client or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees. The reliance that can be placed on risk mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation, correlation and counterparty risk of the protection provider. The requirement for risk mitigation is not a substitute for the ability to pay, which is the primary consideration for any lending decision.

Collateral types that are eligible as risk mitigants include: cash; accounts receivable; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; risk participations; guarantees; derivatives; credit insurance; and standby letters of credit. Physical collateral, such as property, fixed assets and commodities, and financial collateral must be independently valued and an active secondary resale market must exist. The 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. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. The Group also seeks to diversify its collateral holdings across asset classes and markets.

Documentation must be held to enable the Group to realise the collateral without the cooperation of the obligor in the event that this is necessary. For certain types of lending, typically mortgages or asset financing where a first charge over the risk mitigant must be attained, the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. Physical collateral is required to be insured at all times against risk of physical loss or damage.

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. The main types of guarantors include banks, insurance companies, parent companies, governments and export credit agencies.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Credit Risk.

At the executive level, the Group Risk Committee appoints sub-committees for the management of Credit Risk – in particular the CCIBRC, the Private Banking Process Governance and Risk Committee, and the regional risk committees for Greater China & North Asia, ASEAN & South Asia and Africa & Middle East. These committees are responsible for overseeing the Credit Risk profile of the Group within the respective business areas and regions. Meetings are held regularly and the committees monitor all material Credit Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken.

The Group Risk Committee appoints sub-committees for effective management of enterprise stress testing, model governance for Credit Risk, and approval of impairment provisions computed under the IFRS 9 expected credit loss model to the Stress Testing Committee, the Model Risk Committee and the IFRS 9 Impairment Committee respectively.

Standard Chartered Bank
Risk profile

Decision-making authorities and delegation

The Credit Risk Type Frameworks are the formal mechanism which delegate Credit Risk authorities to individuals such as the Group Chief Risk Officer, the segments' Chief Risk Officers and Global Heads of Risks based on their abilities and management responsibilities. Named individuals further delegate credit authorities to individual credit officers by applying delegated credit authority matrices by customer type or portfolio. These matrices establish the maximum limits that the delegated credit officers are authorised to approve, based on risk-adjusted scales which take into account the estimated maximum expected loss from a given customer or portfolio. Credit Risk authorities are reviewed at least annually to ensure they remain appropriate. In Corporate & Institutional Banking, Commercial Banking 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.

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. Lending activities that are considered as higher risk or non-standard are subject to stricter minimum requirements and require escalation to a senior credit officer or authorised senior executives for approval.

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.

Credit Risk committees meet regularly to assess the impact of external events and trends on the Group's Credit Risk portfolios and to define and implement our response in terms of the appropriate changes to portfolio shape, underwriting standards, risk policy and procedures.

In Corporate & Institutional Banking and Commercial Banking, clients or 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, non-performance of an obligation within the stipulated period, or there are concerns relating to ownership or management. Such accounts and portfolios 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 are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Group Special Assets Management (GSAM), which is our specialist recovery unit for Corporate & Institutional Banking, Commercial Banking 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 behaviour scores and bureau performance (where available). Accounts that are past due (or perceived as high risk and 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.

Credit rating and measurement

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.

A standard alphanumeric Credit Risk grade system is used for Corporate & Institutional Banking and Commercial Banking. 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 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, collateralisation level, top 20 concentration and exposure to holding companies. 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 Group Risk and Board Risk Committees.

Credit impairment

Effective from 1 January 2018, we have adopted the impairment requirements of IFRS 9 Financial Instruments, where expected credit losses are determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. Expected credit losses are computed as an unbiased, probability-weighted amount determined by evaluating a range of plausible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking. When determining forward looking expected credit losses, the Group also considers a set of critical global or country-specific macroeconomic variables that influence Credit Risk. Global macroeconomic variables include commodity prices such as crude oil, commodity indices, bond indices and others such as aircraft prices. Country-specific macroeconomic variables include foreign exchange rates, interest rates, fiscal indicators like government spending and government debt, country economic indicators such as real GDP, unemployment rate and consumer price indices, and property indicators like residential property indices.

At the time of origination or purchase of a non-credit-impaired financial asset (stage 1), expected credit losses represent 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 a significant increase in the Credit Risk of the asset (stage 2), in which case, an expected credit loss provision 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), expected credit losses continue to be measured on a lifetime basis.

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, where the obligor is at least 90 days past due in respect of principal and/or interest. A loan is considered past due (or delinquent), when the customer has failed to make a principal or interest payment in accordance with the loan contract. 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.

In Corporate & Institutional Banking, Commercial Banking 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).

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 more details on sensitivity analysis of expected credit losses under IFRS 9, please refer to page 113.

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 the credit portfolio/segment 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 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's enterprise stress testing programme adopted IFRS 9 in full in 2018 and all enterprise stress tests conducted during 2018 were performed on an IFRS 9 basis. Stress tests for key portfolios are reviewed by the Credit Risk Type Framework owners (or delegates) as part of portfolio oversight; and matters considered material to the Group are escalated to the Group Chief Risk Officer and respective regional risk committees.

Country Risk

The Group defines Country Risk as the potential for losses due to political or economic events in a country.

Risk Appetite Statement

The Group manages its country cross-border exposures following the principle of diversification across geographies and controls business activities in line with the level of jurisdiction risk.

Roles and responsibilities

The Country Risk Type Framework provides clear accountability and roles for managing risk through the three lines of defence model. The Global Head, Enterprise Risk Management is responsible for the management and control of Country Risk across the Group, with the day-to-day management and control activities delegated to the Global Head, Country Risk. They are supported by the Regional Chief Risk Officers and Country Chief Risk Officers who provide second line oversight and challenge to the first line Country Risk management activities. The first line ownership of Country Risk resides with the country CEOs who are responsible for the implementation of policy and allocation of approved Country Risk limits across relevant businesses and product lines, as well as the identification and measurement of Country Risks and communication of these and any non-compliance with policy or standards to the second line.

Mitigation

Standards are developed and deployed to implement requirements and controls that all countries must follow to ensure effective management of Country Risk. The standards outline the process for Country Risk limit setting, monitoring and reporting exposures. In response to growing concerns over the Country Risk outlook for a particular country, sovereign ratings may be downgraded and country limits may also be reduced.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Country Risk. At the executive level, the Group Risk Committee is responsible for approving policies and control risk parameters, monitoring material risk exposures and directing appropriate action in response to material risk issues or themes that come to the Committee's attention that relate to Country Risk. At a country level, the Country Risk Committee (or Executive Risk Committee for subsidiaries) is responsible for monitoring all risk issues for the respective country, including Country Risk.

Decision making authorities and delegation

The Country Risk Type Framework is the formal mechanism through which the delegation of Country Risk authorities is made. Decision-making and approval authorities are guided by country capacity levels, which are guidelines to set country limits in respect of Country Risk. The capacity levels are assessed by the Group Country Risk function and are derived from factors including: Group Tier 1 capital, transfer risk grade, Group strategy, portfolio composition (short and medium-term) and each country's total foreign currency earnings.

Monitoring

Monitoring and reporting of Country risk is included in the standards and covers the monitoring of exposures relative to Risk Appetite thresholds and limits, as well as the reporting of material exposures to internal committees and externally where appropriate. The Group Risk Committee monitors Risk Appetite thresholds on a traffic-light indicator basis, and these provide an early warning signal of stress and concentration risk. An escalation process to the Board Risk Committee is in place based on the traffic-light indicators monitoring system. In addition, the Group Risk Committee and the Board Risk Committee receive regular reports on Country Risk exposures in excess of 1 per cent of total Group assets.

Stress testing

The Group Country Risk team produces stressed Sovereign ratings which are used by the relevant Credit and Traded Risk teams in calculating risk-weighted assets during described extreme but plausible stress scenarios.

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 Group's franchise.

Under the Enterprise Risk Management Framework, the introduction of the Traded Risk Type Framework (TRTF) in 2018 sought to bring together all risk types exhibiting risk features common to Traded Risk.

These risk types include Market Risk, Counterparty Credit Risk, Issuer Risk, XVA, Algorithmic Trading and Pension Risk. Traded Risk Management (TRM, formerly Market and Traded Credit Risk) is the core risk management function supporting market-facing businesses, specifically Financial Markets and Treasury Markets.

Roles and responsibilities

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 front office, acting as first line of defence, are responsible for the effective management of risks within the scope of its direct organisational responsibilities set by the Board. The 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

The Group controls its trading portfolio and activities to ensure that Traded Risk losses (financial or reputational) do not cause material damage to the Group's franchise by assessing the various Traded Risk factors. These are captured and analysed using proprietary and custom-built analytical tools, in addition to risk managers' specialist market and product knowledge.

TRM has a framework, policies and standards in place ensuring that appropriate Traded Risk limits are implemented. The Group's Traded Risk exposure is aligned with its appetite for Traded Risk, and assessment of potential losses that might be incurred by the Group as a consequence of extreme but plausible events.

Traded Risk limits are applied as required by the TRTF and related standards. All businesses incurring Traded risk must do so in compliance with the TRTF. The TRTF requires that Traded Risk limits are defined at a level appropriate to ensure that the Group remains within Traded Risk Appetite. All exposures throughout the Group that the TRM function is responsible for 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 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 risks 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.

Policies are reviewed and approved by the Global Head, TRM annually to ensure their ongoing effectiveness and sustainability.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Traded Risk. At the executive level, the Group Risk Committee delegates responsibilities to the CCIBRC to act as the primary risk governance body for Traded Risk, and to the Stress Testing Committee for stress testing and the Model Risk Committee for model risk.

Decision-making authorities and delegation

The Group's Risk Appetite Statement, along with the key associated Risk Appetite metrics, is approved by the Board with responsibility for Traded Risk limits, then tiered accordingly.

Subject to the Group's Risk Appetite for Traded Risk, the Group Risk Committee sets Group-level Traded Risk limits, via delegation to the GCRO. The GCRO delegates authority for the supervision of major business limits to the CRO, Corporate & Institutional Banking and for all other 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 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.

Standard Chartered Bank
Risk profile

Market risk – value at risk

The Group applies VaR as a measure of the risk of losses arising from future potential adverse movements in market rates, prices and volatilities. VaR, in general, 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.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. VaR is calculated on our exposure as at the close of business, generally UK time. 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 VaR in relation to idiosyncratic exposures in credit markets

In both methods, a historical observation period of one year is chosen and applied.

A small proportion of Market Risk generated by trading positions is not included in VaR or cannot be appropriately captured by VaR. This is recognised through a Risks-not-in-VaR Framework, which estimates these risks and applies capital add-ons.

To assess their ongoing performance, VaR models are backtested against actual results.

An analysis of VaR and backtesting results in 2018 is available in the Risk profile section (pages 119 to 121).

Counterparty Credit risk

Credit Risk from traded products derives from the positive mark-to market value of the underlying instruments, and an additional component to cater for potential future market movements. This Counterparty Credit Risk is managed within the Group's overall credit Risk Appetite for corporate and financial institutions. In addition to analysing potential future movements, the Group uses various single factor or multi-risk factor stress test scenarios to identify and manage Counterparty Credit Risk across derivatives and securities financing transactions.

Underwriting

The limits for the underwriting of securities to be held for sale are approved by the Underwriting Committee, under the authority of the CCIBRC. The limits include the overall size of the securities inventory, the maximum holding period, the daily VaR, and sensitivities to interest rate and credit spread moves. The Underwriting Committee approves individual proposals to underwrite new security issues for our clients.

Day-to-day Credit Risk management activities for traded securities are carried out by a specialist team within TRM whose activities include oversight and approval within the levels delegated by the Underwriting Committee. Issuer credit risk, including settlement and pre-settlement risk, and price risks are controlled by TRM. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests with TRM.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. The annual and mid-year limit review processes provide opportunities for the business and TRM to review risk in light of performance.

Traded Risk exposures are monitored daily against approved limits. Intra-day risk exposures may vary from those reported at the end of the day. Limit excess approval decisions are informed by factors such as an assessment of the returns that will result from an incremental increase to the business risk exposure. Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority. Financial Markets traders may adjust their Traded Risk exposures within approved limits and assess risk and reward trade-offs according to market conditions.

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 measurement is complemented by weekly stress testing of Market Risk exposures to highlight the potential risk that may arise from extreme market events that are deemed rare but plausible.

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.

Standard Chartered Bank
Risk profile

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 Market Risk exposure. The Group Risk Committee considers the results of stress tests as part of its supervision of Risk Appetite.

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 banking and trading books, including XVA (CVA and FVA). Ad hoc scenarios are also prepared, reflecting specific market conditions and for particular concentrations of risk that arise within the business. Where required by local statute or regulation, TRM's Group and business-wide stress and scenario testing will be supplemented by entity stress testing at a country level. This stress testing is coordinated at the country level and subject

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

The Group should maintain a strong capital position including the maintenance of management buffers sufficient to support its strategic aims and hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support.

Roles and responsibilities

The Treasurer is responsible for developing a risk type framework for Capital and Liquidity Risk and for complying with regulatory requirements at a 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

The Group develops policies to address material capital and liquidity risks and aims to maintain its risk profile within Risk Appetite. Risk Appetite is set for the Group and cascaded down to the countries in the form of limits and management action triggers. The Group also maintains a Recovery Plan which is a live document to be used by management in a liquidity or solvency stress. 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 country.

The approach to mitigation is detailed further below.

Capital planning

On an annual basis, strategic business and capital plans are drawn up covering a five-year horizon, and are approved by the Board. 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

Structural FX risk

The Group's structural position results from the Group'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 Group's Translation Reserves with a direct impact on the Group's CET1 ratio.

The Group contracts hedges to manage its structural FX position in accordance with a Board-approved Risk Appetite, and as a result the Group has taken net investment hedges to partly cover its exposure to the Korean won, Chinese renminbi, Taiwanese dollar and Indian rupee to mitigate the FX impact of such positions on its capital ratios.

Liquidity Risk

At Group and country level we implement various business-as-usual and stress risk metrics and monitor these against limits and management action triggers. This ensures that the Group maintains an adequate and well-diversified liquidity buffer as well as a stable funding base. A funding plan is also developed for efficient liquidity projection to ensure that the Group is adequately funded, in the required currencies, to meet its obligations and client funding needs. The approach to managing the risks and the Board Risk Appetite is assessed annually through the Internal Liquidity Adequacy Assessment Process.

Interest rate risk in 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 re-pricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. The Group monitors IRRBB against a Board-approved Risk Appetite.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Capital and Liquidity Risk. At the executive level, the Group Asset and Liability Committee ensures the effective management of risk throughout the Group in support of the Group's strategy, and guides the Group's strategy on balance sheet optimisation and ensures that the Group operates within the internally approved Risk Appetite, as well as other external and internal capital and liquidity requirements. The Group Asset and Liability Committee delegates part of this responsibility to the Operational Balance Sheet Committee to ensure alignment with business objectives.

Standard Chartered Bank

Risk profile

Country oversight under the capital and liquidity framework resides with country Asset and Liability Committees. Countries must ensure that they remain in compliance with Group capital and liquidity policies and practices, as well as local regulatory requirements.

The Stress Testing Committee ensures the effective management of capital and liquidity-related enterprise stress testing in line with the Group's Enterprise Stress Testing Policy and applicable regulatory requirements. The Stress Testing Committee reviews, challenges and approves stress scenarios, results and management actions for all enterprise stress tests. Insights gained from the stress tests are used to inform underwriting decisions, risk management, capital and liquidity planning and strategy.

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 Financial Officer and Group Chief Risk Officer have 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 is performed by the country Chief Executive Officer and Treasury Markets respectively. The Group regularly reports and monitors capital and liquidity risks 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 Operational Balance Sheet Committee and the Group Asset and Liability Committee. The reports contain key information on balance sheet trends, exposures against 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 a country level is provided by the 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.

Stress testing

Stress testing and scenario analysis are an integral part of the capital and liquidity framework, and are used to ensure that the Group's internal assessment of capital and liquidity considers the impact of extreme but plausible scenarios on its risk profile. They provide an insight into the potential impact of significant adverse events on the Group's capital and liquidity position and how this could be mitigated through appropriate management actions to ensure the Group remains within the approved Risk Appetite and regulatory limits.

Operational Risk

The Group defines Operational Risk as the potential for loss resulting from inadequate or failed internal processes and systems, 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 Group's franchise.

Roles and responsibilities

The Operational Risk Type Framework (ORTF) is set by the Group Head, Operational Risk and is applicable enterprise-wide. This Framework: 1) defines and collectively groups operational risks which have not been classified as Principal Risk Types (PRTs) into non-Principal Risk Types (non-PRTs) and 2) sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and non-PRTs.

The ORTF reinforces clear accountability for managing risk throughout the Group and delegates second line of defence responsibilities to identified subject matter experts. For each non-PRT, the expert sets policies for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the Group. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the Group's risk/return objectives are met.

Mitigation

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 Control Assessment Standards (CAS) which define roles and responsibilities for the identification, control and monitoring of risks (applicable to all non-PRTs and PRTs).

The CAS are used to determine the design strength and reliability of each process, and require:

- 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 prompt 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 Board level, the Board Risk Committee oversees the effective management of Operational risk. At the executive level, the Group Risk Committee delegates authority primarily to the Group Non-Financial Risk Committee (GNFRC) to monitor the Group's Operational Risk Appetite and to oversee the Group's Operational risk profile. The GNFRC has the authority to challenge, constrain and, if required, stop business activities where risks are not aligned with the Group's Operational Risk Appetite.

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).

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 Board 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 consolidated on a regular basis and reported at relevant Group committees. 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 Group's Operational Risk profile. A number of scenarios have been identified to test the robustness of the Group's processes, and assess the potential impact on the Group. These scenarios include anti-money laundering, sanctions, information and cyber security and external fraud.

Reputational Risk

The Group defines Reputational Risk as the potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation because of stakeholders taking a negative view of the organisation, its actions or inactions – leading stakeholders to change their behaviour.

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.

Roles and responsibilities

The Global Head, Enterprise Risk Management is the Risk Framework Owner for Reputational Risk under the Group's Enterprise Risk Management Framework. For primary risks, the responsibility of Reputational Risk management at country level is delegated to Country Chief Risk Officers. Both the Global Head, Enterprise Risk Management and Country Chief Risk Officers constitute the second line of defence, overseeing and challenging the first line which resides with the Chief Executive Officers, Business Heads and Product Heads in respect of risk management activities of reputational-related risks. The Group recognises that there is also the potential for consequential Reputational Risk should it fail to control other Principal Risk Types. Such secondary reputational risks are managed by the Risk Framework Owners of each Principal Risk Type who are responsible for enhancing existing risk management frameworks to incorporate Reputational Risk management approaches.

Mitigation

The Group's Reputational Risk policy sets out the principal sources of Reputational Risk and the responsibilities and procedures for identifying, assessing and escalating primary and secondary reputational risks. The policy also defines the control and oversight standards to effectively manage Reputational Risk. The 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. Wherever a 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 Group's reputation. Secondary Reputational Risk mitigation derives from the effective management of other Principal Risk Types.

Governance committee oversight

The Brand, Values and Conduct Committee retains Board-level oversight responsibility for Reputational Risk. Oversight from an operational perspective falls under the remit of the Group Risk Committee and the Board Risk Committee. The Group Reputational Risk Committee ensures the effective management of primary Reputational Risk across the Group.

The Group Reputational Risk Committee's remit is to:

- Challenge, constrain and, if required, stop business activities where risks are not aligned with the Group's Risk Appetite
- Make decisions on Reputational Risk matters assessed as high or very high based on the Group's primary Reputational Risk materiality assessment matrix, and matters escalated from the regions or client businesses
- Provide oversight of material Reputational Risk and/or thematic issues arising from the potential failure of other risk types. The Group Non-Financial Risk Committee has oversight of the effective management of secondary Reputational risk

Decision-making authorities and delegation

The Group Risk Committee provides Group-wide oversight on Reputational Risk, approves policy and monitors material risks. The Group Reputational Risk Committee is authorised to approve or decline Reputational Risk aspects of any business transaction, counterparty, client, product, line of business and market within the boundaries of the Group's Risk Appetite, and any limits and policies set by authorised bodies of the Group.

Monitoring

Reputational Risk policies and procedures are applicable to all Group entities. However, local regulators in some markets may impose additional requirements on how banks manage and track Reputational Risk. In such cases, these are complied with in addition to Group policies and procedures. Exposure to Reputational Risk is monitored through:

- A requirement that process owners establish triggers to prompt consideration of Reputational Risk and escalation where necessary
- The tracking of risk acceptance decisions
- The tracking of thematic trends in secondary risk arising from other Principal Risk Types
- The analysis of prevailing stakeholder concerns

Stress testing

Although Reputational Risk is not an explicit separate regulatory factor in enterprise stress tests, it is incorporated into the Group's stress testing scenarios. For example, the Group may 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.

Compliance Risk

The Group defines Compliance Risk as potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity to markets we operate in 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; while 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, Conduct, Financial Crime and Compliance (CFCC), as Risk Framework Owner for Compliance Risk provides support to senior management on regulatory and compliance matters by:

- Providing interpretation and advice on regulatory requirements and their impact on the Group;
- Setting enterprise-wide standards for compliance, through the establishment and maintenance of a risk-based compliance framework, the Compliance Risk Type Framework (Compliance RTF);
- Setting a programme for monitoring Compliance Risk

The Compliance RTF sets out 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 of Defence that ensures the overall operation of the framework and for significant areas of laws and regulations, provides oversight and challenge of the first line risk management activities that relate to Compliance Risk.

The Compliance RTF defines Compliance Risk sub-types and, where relevant, assigns responsibility for these to the most appropriate other Principal Risk Type Owner or control function. This ensures that effective oversight and challenge of the first line can be provided by the appropriate second line function. Each of these assigned second line functions sets policies for the organisation to comply with, and provides guidance, oversight, and challenge over the activities of the Bank. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the Group's Compliance Risk is appropriately managed.

Mitigation

The Compliance RTF sets the Group's overall approach to the management of Compliance Risk. In support of this, the Compliance function develops and deploys relevant policies and standards setting out requirements and controls for adherence by the Group to ensure continued compliance with applicable laws and regulations. Through a combination of risk assessment, control standard setting, control monitoring and compliance review 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.

Governance committee oversight

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. The Conduct and Compliance Non-Financial Risk Committee has a consolidated view of these risks, and ensures that appropriate governance is in place for these. In addition, the Committee ensures that elevated levels of Compliance risk are reported to the Group Non-Financial Risk Committee, Group Risk Committee and Board Audit Committee. Within each country, oversight of Compliance Risk is delegated through the Country Non-Financial Risk Committee where the Operational Risk Control Assessment Standards will form a primary part of the monitoring of Compliance Risk.

Decision-making authorities and delegation

Decision making and approval authorities follow the Enterprise Risk Management Framework approach and risk thresholds. The Group Head, CFCC has the authority to delegate second line responsibilities within the CFCC function to relevant and suitably qualified individuals. In addition, second line responsibilities, including policy development, implementation and validation, as well as oversight and challenge of first line processes and controls are delegated based on the most appropriate other Principal Risk Type or control function for certain compliance risk sub-types.

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 the aggregation of compliance exposures from across the Group and escalation and reporting to Conduct and Compliance Non-Financial Risk Committee, Group Risk Committee and Board Risk Committee as appropriate. In addition, there is a Group Regulatory Reform team set up to monitor regulatory reforms in key markets and establish a protocol of horizon scanning for emerging Compliance Risk. This protocol ensures that regulatory reforms with the potential to affect the Group in multiple markets are identified and steps taken in good time to ensure compliance with these.

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 who own and manage the risk and the CFCC function who are second line to incorporate significant Compliance risk tail events. This approach considers the impact of extreme but plausible scenarios on the Group's Compliance Risk profile.

Conduct Risk

The Group defines Conduct Risk as the risk of detriment to the Group's customers and clients, investors, shareholders, market integrity, competition and counterparties or from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

Risk Appetite Statement

The Group strives to maintain the standards in our Code of Conduct and outcomes of our Conduct Framework, by continuously demonstrating that we are doing the right thing in the way we do business.

In addition to the Group's external stakeholders, Conduct Risk may also arise in respect to our behaviour towards each other as colleagues. The Group believes that everyone is entitled to a fair and safe working environment that is free from discrimination, exploitation, bullying, harassment or inappropriate language.

Roles and responsibilities

Conduct Risk management and abiding by the Group Code of Conduct is the responsibility of all employees across the organisation.

The first line of defence is required to ensure that potential conduct risks arising in the business, functions and countries are identified, assessed and managed appropriately. Senior management in the first line of defence are accountable for embedding the right culture relating to Conduct Risk. The CFCC function is the second line for Conduct Risk, and is responsible for providing independent guidance, oversight, and challenge to the first line, as well as setting the risk management standards that the first line must adhere to. The CFCC function owns the risk sub-types, and where relevant, they are delegated to other functions or Risk Framework Owners in the Group.

Conduct Plan

The Conduct Plan is a live document and must be kept regularly updated, including as and when there are potential or materialised conduct risks identified through other PRTs. Identified conduct risks and the corresponding mitigation should be monitored by relevant governance committees to ensure effective and timely resolution. The Conduct Plans should meet minimum standards as follows:

- Conduct Plans are owned by the management of each country, region, business and function within the Group. As the first line of defence, management is responsible to ensure that the Conduct Plans are regularly reviewed and updated.
- The Compliance function as the second line of defence and Risk Framework Owner is responsible for challenging management on the quality and completeness of the plan, as well as the effectiveness and timeliness of the remediation strategy
- The Conduct Plans highlight the key conduct risks that are inherent to the processes and activities performed or impacted within a country, region, business or function
- The Group Conduct Management Principles, which highlight various conduct outcomes, should be used as a guide to help with the process of identifying relevant conduct risks
- For each of the risks identified, appropriate remediation action, enhancements to the control environment, responsible action owners and timeframes for resolution must be clearly recorded within the Conduct Plan
- Regular engagement should take place between owners of the Group and geographic Conduct Plans to ensure appropriate escalation and communications related to conduct risks and the mitigation strategy applied
- Conduct Plans also reflect Conduct Risks based on one-off projects, adverse trends from conduct management information, internal conduct incidents, deficiencies identified through internal assurance activities across the three lines of defence, emerging risks/trends and external developments

Governance committee oversight

The Board Risk Committee, Brand Values and Conduct Committee, Group Risk Committee, Group Non-Financial Risk Committee and the Compliance Regulatory Risk Committee are responsible for ensuring that the Group effectively manages its Conduct risk. As Risk Framework Owner for Conduct Risk, Group Head, CFCC sets reporting thresholds for escalation of Conduct Risk to the Conduct and Compliance Risk Committee, Group Non-Financial Risk Committee and Group Risk Committee. The Board Risk Committee and the Brand Values and Conduct Committee receive periodic reports on Conduct Risk assurance against businesses and functions.

Decision making authorities and delegation

Conduct Risk challenge and acceptance authority is exercised by the Group Head, CFCC and delegated within the CFCC function as second line.

Monitoring and mitigation

The Compliance Assurance team perform assurance reviews to monitor Conduct Risk outcomes. In limited or special circumstances, a specific thematic conduct review may be performed. This may be considered in scenarios where countries or

businesses have significant and potentially systemic Conduct Risk issues, which may warrant a more focussed assessment of the end-to-end controls.

These reviews supplement other compliance activities from a Second Line of Defence perspective. These activities include compliance stakeholder representation and challenge at first line governance committees and conduct forums; surveillance activity – such as trade surveillance, e-communication surveillance, and sales and suitability surveillance; Control Room management – such as outside business interests, personal account dealing, and information walls; and validating or challenging the Group performance scorecard for conduct.

Stress testing

The assessment of Conduct Risk vulnerabilities under stressed conditions or extreme events with a low likelihood of occurring are carried out through enterprise stress testing. This is currently covered primarily through Operational Risk and Financial Crime driven stress scenarios.

Standard Chartered Bank
Risk profile

Information and Cyber Security Risk

The Group defines Information and Cyber Security Risk as the potential for loss from a breach of confidentiality, integrity or availability of the Group's information systems and assets through cyber attack, insider activity, error or control failure.

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

In 2018, the Group approved a Risk Type Framework (RTF) to formally set out the Group-wide strategy for managing Information and Cyber Security (ICS) Risk. The RTF has strengthened the role of the business for managing ICS Risk. As a result, through 2018 there has been significant expansion of first line responsibilities to ensure in-depth ownership and understanding of ICS Risk by the first line of defence.

The RTF defines the first line roles of Information Asset Owners, Information System Owners, and Information Custodians. information asset owners and Information System Owners are named individuals within each business who have accountability for classifying and managing risks to the information assets and systems they own respectively. Information Custodians are named individuals, typically within the Technology and Innovation (T&I) function, responsible for providing secure processing of information commensurate to the level specified by the Information Asset or Information System Owner. In addition, each business and region has recruited Heads of ICS to provide Information Asset and System Owners a centralised first line point of contact to ensure controls are embedded effectively and consistently across the Group. The business, alongside T&I Security Technology Services, is responsible for remediation activities to strengthen the Group's ICS Risk controls to protect against any new threats in an evolving environment.

The Chief Information Security Officer (CISO) has overall responsibility for strategy, governance and oversight of ICS Risk across the Group and operates as the second line of defence. The CISO defines policy for ICS Risk, overseeing and challenging the operational implementation of controls at the first line.

Mitigation

ICS Risk is managed through a structured ICS Policy Framework comprised of a risk assessment methodology and supporting policies, procedures and standards which are aligned to industry best practice models.

Information Asset Owners, Information System Owners, and Information Custodians are responsible for compliance with the ICS Policy Framework. This requires the first line to embed applicable ICS policy controls, and measure the performance of these controls with key indicators against thresholds set by the Board. Additional controls may be added by the business area to reflect any specific characteristics of the reporting area which may be relevant, depending on concurrence from the CISO.

The CISO function monitors compliance to the ICS Policy Framework through an assessment of each key control domain defined by the ICS RTF through the Risk profile report. Within the risk profile view, appropriate mitigating activity for each key control domain is identified, undertaken and reported against by the business.

All business units, group functions, countries and regions (Information Asset/System Owner and Information Custodians) complete a risk assessment of each relevant key control domain for their operational environment by completing a risk profile. These are submitted to the CISO and to relevant governance committees for continuous oversight and challenge against Risk Appetite requirements.

Governance committee oversight

The ICS Risk within the Group is currently governed via the Board Risk Committee who has responsibility for approving the definition of ICS Risk and the Group Risk Appetite. In addition, the Group Risk Committee has delegated authority to the Group Non- Financial Risk Committee (GNFRC) to ensure effective implementation of the ICS RTF. The GRC, and GNFRC retain responsibility for oversight of ICS Risk control domains rated very high and high respectively. Sub-committees of the GNFRC have oversight of the management of ICS risks arising from business and functional areas.

These governance committees have responsibility for providing oversight of ICS risks against Risk Appetite and measuring performance of ICS Risk management activities across the first line. Chairs of governance committees ensure adequate representation for all business units and countries across the Group who are responsible for managing ICS Risk. Escalation of risks which fall outside the defined appetite for the Group are overseen by these committees to ensure effective mitigation.

Decision-making authorities and delegation

The ICS RTF is the formal mechanism through which the delegation of ICS Risk authorities is made. The GCRO has delegated Risk Framework Owner authority to the CISO. The CISO has, where appropriate, delegated second line authority to information security officers to assume the responsibilities for approval for business, functions, and countries.

Approval of ICS Risk ratings follow an approval matrix defined by the ICS RTF where the GCRO and CISO sign off very high and high risks respectively.

Information Asset Owners, Information System Owners, and Information Custodians are responsible for the identification, creation and implementation of processes as required to comply with the ICS Policy Framework.

Monitoring

Monitoring and reporting on the 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. Identification of ICS risks are performed through the following processes:

- Scanning of external environment: The dynamic risk identification process includes scanning of the external environment through industry and specialist activities; inputs from legal, regulatory, and mandatory bodies; changes to information and technology use in society, opportunities or incidents; and identifying emerging threats to our information assets and systems
- ICS Risk profile assessment exercise: Risks to information assets and systems must be identified using the approach defined within the RTF and a risk rating ascertained. Risks identified within the key control domains defined in the RTF are documented within risk profiles and reviewed monthly as part of risk governance to ensure effective mitigation against the approved appetite. During these reviews, the status of each risk is assessed to identify any changes to materiality and likelihood, which in turn affect the overall risk score and rating. Risks which exceed defined thresholds are escalated to appropriate governance bodies. The CISO performs a consolidation of completed risk profiles for the Group and produces a holistic aggregated risk position with appropriate key control and risk indicators, which are used to govern the overall ICS Risk
- Threat identification: During the risk identification process, the CISO works with the T&I function to ensure an accurate threat profile definition. Business areas report on their threat profile each month to the Business, Product and Functional level Non-Financial Risk Committees ensuring continuous monitoring of threat identification. This is then reported to the GNFRC, who reviews the reports at an enterprise level. Improvements to the Group's threat lintelligence capability are being implemented through 2019.

Stress testing

The CISO will determine ICS Risk controls to be subjected to scenario-based resiliency stress testing and sensitivity analysis, which is aimed to either ensure robustness of control or ability to respond should a control fail. The Group's stress testing approach entails:

- CISO oversee all ICS Risk-related stress testing the Group carries out to meet regulatory requirements
- Incident scenarios affecting information assets and systems are periodically tested to assess the incident management capability in the Group
- Penetration testing and vulnerability scanning is performed against the Group's internet-facing services and critical information assets/systems

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 and anti-bribery.

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 Global Head, Conduct, Financial Crime and Compliance (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 Global Head, CFCC is the Group's Money-Laundering Reporting Officer and performs the Financial Conduct Authority controlled function and senior management function in accordance with the requirements set out by the Financial Conduct Authority, 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

There are three Group policies in support of the Financial Crime Risk Type Framework:

- Anti-bribery and corruption as set out in the Group Anti-Bribery and Corruption Policy
- Anti-money laundering and countering terrorists financing as set out in the Group Anti-Money Laundering and Counter Terrorist Financing Policy
- Sanctions as set out in the Group Sanctions Policy

The Group operates risk-based controls in support of its Financial Crime Risk programme, including (but not limited to):

- Client due diligence, to meet Know Your Customer requirement
- Surveillance, including transaction screening, name screening and transaction monitoring
- Global risk assessment, to understand and quantify the inherent and residual Financial Crime Risk across the organisation

The strength of these controls are tested and assessed through the Group's Operational Risk Type Framework, in addition to oversight by the Financial Crime Compliance Assurance and Group Internal Audit.

Governance committee oversight

Financial Crime Risk within the Group is governed by the Group Financial Crime Risk Committee which is appointed by and reports into the Group Risk Committee. The Group Financial Crime Risk Committee is responsible for ensuring the effective management of Operational Risk relating to Financial Crime Risk compliance throughout the Group in support of the Group's strategy and in line with the Group's Risk Appetite, Enterprise Risk Management Framework and Financial Crime Risk Type Framework.

The Board Financial Crime Risk Committee is appointed by the Board, to provide oversight of the effectiveness of the Group's policies, procedures, systems, controls and assurance mechanism designed to identify, assess, manage, monitor, detect or prevent money laundering, non-compliance with sanctions, bribery, corruption, and tax crime by third parties.

Decision-making authorities and delegation

The Global Head, CFCC is the Risk Framework Owner for Financial Crime Risk under the Group's Enterprise Risk Management Framework, and has delegated authorities to effectively implement the Financial Crime Risk Type Framework, to the Co-Heads, Financial Crime Compliance.

Certain aspects of Financial Crime Compliance, second line oversight and challenge, are futher 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 anti-money laundering and anti-bribery and corruption.

Monitoring

The Group monitors Financial Crime Risk compliance against a set of Risk Appetite metrics that are approved by the Board. These metrics are reviewed periodically and reported regularly to both the Group Financial Crime Risk Committee and Board Financial Crime 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.

Principal uncertainties

In addition to our Principal Risk Types that we manage through Risk Type Frameworks, policies and Risk Appetite, we also maintain an inventory of our principal uncertainties. Principal uncertainties refer to unpredictable and uncontrollable outcomes from certain events which may have the potential to impact our business materially.

In 2018, we undertook a thorough review of our principal uncertainties, using the approach described in the Enterprise Risk Management Framework section (pages 141 to 147). The key results of the review are detailed below

Key changes to our principal uncertainties

The following item has been removed as a principal uncertainty:

- Korean peninsula geopolitical tensions – Due to the denuclearisation discussions relating to the Korean peninsula, we believe this risk has decreased; however, we continue to conduct regular stress tests and assess contagion risks arising from risk levels and associated contingency plans

The following items have been amended or added as new principal uncertainties:

- Extended trade tensions driven by geopolitics and trade imbalance – This risk was previously known as “Increase in trade protectionism driven by nationalist agenda“ and has been renamed to cover increasing concerns on potential trade tensions and the adoption of protectionist policies
- China slowdown and impact on regional economies with close ties to China – This risk was previously known as “Moderation of growth in key footprint markets led by China” and has been renamed to monitor and assess the impact from slowdown in China and associated regional economies
- Emerging Markets – upcoming elections, interest rate rises and foreign exchange (FX) risks – This risk was previously known as “Sharp interest rate rises and asset price corrections” and has been broadened to cover Emerging Market (EM) risks
- New technologies and digitisation – This risk has been split into two to adequately capture the opportunity or business disruption and obsolescence risk from new technologies and increased data privacy and security risks respectively which could impact many elements of banking

Based on our current knowledge and assumptions, our list of principal uncertainties 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.

Standard Chartered Bank
Risk profile

Geopolitical considerations (Risk ranked according to severity)

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
Extended trade tensions driven by geopolitics and trade imbalance Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**	Risk heightened in 2018	➔ Trade tensions between the United States and China continue to rise driven by trade imbalance as well as geopolitical tensions. The US imposed trade tariffs on a further $200 billion of imports from China in late September 2018 (China retaliated with tariffs on $60 billion of goods). A 25% tariff may be imposed if the two countries are unable to reach an agreement which could start another round of devaluation ➔ A full-fledged and/or extended US–China trade tensions could destabilise the world economy. The adoption of protectionist policies driven by nationalist agendas could disrupt established supply chains and invoke retaliatory actions. Other countries could introduce tariffs on goods and services available domestically or from other economies. These would impact global trade ➔ The Group has a significant revenue stream from supporting cross-border trade	➔ A sharp slowdown in world trade and global growth is a feature of the Group stress scenarios including the Internal Capital Adequacy Assessment Process (ICAAP) and the annual Bank of England stress testing exercise. These stress tests provide visibility to key vulnerabilities so that management can implement timely interventions

Potential impact (Gross risk assessment) Refers to the extent to which a risk event might affect the Group	**Likelihood (Gross risk assessment)** 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 with sufficient time to respond)*
Low *(marginal financial or non-financial risk)*	Low *(unlikely or rare)*	Steady *(gradual or orderly developments)*

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
Middle East political situation Potential impact: **Medium** Likelihood: **Medium** Velocity of change: **Moderate**	Risk remained consistent with 2017 levels	➔ Qatar has adjusted to the trade and diplomatic embargo by the Gulf Cooperation Council (GCC). It is unlikely that the parties to the dispute will rush to pursue a diplomatic solution which may leave a lasting rift in the GCC ➔ There is risk of escalation between Saudi Arabia and Turkey as events surrounding the death of journalist Jamal Kashoggi develop. The US congress is likely to sustain pressure on Saudi Arabia despite the efforts of the Trump administration and Saudi Arabia to de-escalate ➔ With US sanctions against Iran having come into effect in November 2018, we anticipate that the stand-off between Iran and Saudi Arabia will continue ➔ The Group has a material presence across the region	➔ The impact of the Qatar diplomatic crisis on our portfolio has been limited so far. Risk Appetite and underwriting standards have been adjusted to reflect current conditions ➔ There is constant monitoring at regional and country level to detect horizon risks and analyse any potential adverse developments. This included a planned Strategy and Portfolio Review of Saudi Arabia in November 2018

Standard Chartered Bank
Risk profile

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
Brexit implications Potential impact: **Low** Likelihood: **High** Velocity of change: **Fast**	Risk heightened in 2018	➔ The exit of the UK from the European Union (EU) (Brexit) could have implications on the economic outlook for the eurozone and the UK, which might in turn have global implications because of change in policy direction. The uncertainties linked to the Brexit negotiations process could delay corporate investment decisions until there is more clarity ➔ There continues to be uncertainty on UK's exit from Europe ➔ The first order impact of Brexit on the Group from a Credit Risk or portfolio perspective is limited given the nature of the Group's activities. However, as we have set up a new EU subsidiary, the operating environment and client migration to the new subsidiary are impacted given the uncertainty on Brexit negotiations	➔ We continue to assess and manage post-Brexit risk and the practical implications through the Brexit Executive Committee chaired by a Management Team member. We have also evaluated the potential implications from a transition and will continue monitoring the progress of the political negotiations ➔We have set up a new EU subsidiary and optimised our EU structure to mitigate any potential impact to our clients, our staff and the Group as a result of Brexit, including loss of EU passporting rights. Set-up activities are progressing well and we have obtained the full banking licence to commence operations in March 2019

Macroeconomic considerations

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
China slowdown and impact on regional economies with close ties to China Potential impact: **High** Likelihood: **Medium** Velocity of change: **Steady**	Risk remained consistent with 2017 levels	➔ Asia remains the main driver of global growth supported by internal drivers, led by China ➔ China's economy has performed strongly since the beginning of 2018. However key focus remains on the government-led deleveraging efforts, economic reforms, state owned enterprises, and recent monitory policy actions to cut the reserve requirements for most banks ➔ Macroeconomic environment in the Greater China/North Asia region is threatened by US-China trade tensions ➔ Highly trade oriented economies such as Hong Kong and Singapore with close ties to China would weaken in the event of an economic slowdown in China. Regional supply chain economies such as Korea, Taiwan and Malaysia would be impacted from a fall in economic activity ➔ Greater China, North Asia and South-East Asian economies remain key strategic regions for the Group	➔ As part of our stress tests, severe stress in the global economy associated with a sharp slowdown in China was assessed in the ICAAP and Bank of England stress testing in 2018 ➔ Exposures that result in material loan impairment charges and risk-weighted assets inflation under stress tests are regularly reviewed and actively managed ➔ A global downturn with shocks concentrated on China and countries with close trade links with China is one of the regular run market and traded risk stress tests ➔ We continue to monitor data from Greater China, North Asia and South-East Asia

Standard Chartered Bank
Risk profile

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
Emerging Markets (EM) – upcoming elections, interest rate rises and FX risks Potential impact: **Medium** Likelihood: **High** Velocity of change: **Moderate**	Risk heightened in 2018	→ EM equities officially entered a bear market in September 2018, following a 20 per cent decline from their peak in January 2018. Many EM currencies have weakened to multi-year lows against the US dollar (examples: Indian rupee and South African rand). South Africa also entered its first recession since the global financial crisis → Such increases in interest rates and weakening of local currencies in EMs could have an impact on the highly leveraged corporate sector, as well as countries with high current account deficits or high foreign currency share of domestic debt. Property, commodities and asset prices would also come under pressure → This could also adversely impact the credit quality of the Group's exposures, and our ability to reprice these exposures in response to changes in the interest rate environment → Of particular concern is the outlook for EMs, specifically the risk of capital outflows and weakening domestic currencies, with the associated increased domestic political volatility. We see increased political volatility, across EMs – like India, Nigeria, Thailand and Sri Lanka – with upcoming elections	→ We continue to monitor countries deemed to have a negative outlook and heightened probability of a downgrade to their internal Sovereign Risk rating, based on vulnerability to recent economic, business, political and/or social developments over a 12-month horizon → We continue to monitor tightening of monetary policy conditions intended to support domestic currencies in the ASEAN & South Asia region and a potential slowdown in economic growth, with recent policy rate hikes from central banks in Indonesia and Philippines → We continue to adjust our outlook and ratings based on political events and volatility

Environmental and social considerations

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
Climate-related physical risks and transition risks[1] Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**	Risk heightened in 2018	→ National governments have, through the UN Framework Convention on Climate Change (UNFCCC) process and Paris Agreement, made commitments to enact policies which support the transition to a lower-carbon economy, limiting global warming to less than 2ºC and therefore mitigating the most severe physical effects of climate change → Such policies may, however, have significant impacts, for example, on energy infrastructure developed in our markets, and thus present 'transition' risks for our clients → Conversely, if governments fail to enact policies which limit global warming, the Group's markets are particularly susceptible to 'physical' risks of climate change such as droughts, floods, sea level change and average temperature change → In September 2018, the Bank of England published a report 'Transition in thinking' on practices in the UK banking sector, finding that only 10 per cent of banks were taking a strategic approach to climate change → This was followed by a PRA consultation paper and draft supervisory statement in October 2018, proposing significant measures to be taken by banks → When the Group was reviewing its power generation position statement in 2018, it received significant engagement on climate change from large investors and civil society	→ We have participated, via a UN-led initiative, the United Nations Environment Programme Finance Initiative (UNEP-FI), in the development of pilot scenario analysis tools for physical and transition risks for energy utilities clients and other high-emitting sectors. We are using our experiences as we develop additional tools → We are also involved in a wide range of collaborative initiatives related to climate risk management, as well as opportunity identification → We are working to develop tools to measure, manage and ultimately reduce the emissions related to the financing of our clients → We have reduced our Risk Appetite to carbon-intensive sectors by introducing technical standards for coal-fired power plants, and restrictions on new coal mining clients and projects. These standards are reviewed on a regular basis, and in September 2018 we announced that we would no longer provide financing for new coal-fired power plants anywhere in the world → We are developing a climate risk management framework → We have made a public commitment to fund and facilitate $4 billion toward clean technology between 2016 and 2020. In 2018, we funded $2.9 billion taking us to a cumulative total of $4.9 billion since January 2016

1 Physical risk refers to the risk of increased extreme weather events while transition risk refers to the risk of changes to market dynamics due to governments' responses to climate change

Legal considerations

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
Regulatory reviews and investigations, legal proceedings Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**	Risk remained consistent with 2017 levels	→ The Group has been, and may continue to be, subject to regulatory actions, reviews, requests for information (including subpoenas and requests for documents) and investigations across our markets, the outcomes of which are generally difficult to predict and could be material to the Group → In recent years, authorities have exercised their discretion to impose increasingly severe penalties on financial institutions in connection with violation of laws and regulations, and there can be no assurance that future penalties will not be of increased severity → The Group is also party to legal proceedings from time to time, which may give rise to financial losses or adversely impact our reputation in the eyes of our customers, investors and other stakeholders	→ We have invested in enhancing systems and controls, and implementing remediation programmes (where relevant) → We are cooperating with all relevant ongoing reviews, requests for information and investigations and actively managing legal proceedings with respect to legacy issues (refer to Note 25 – Legal and regulatory matters) → We continue to train and educate our people on conduct, conflicts of interest, information security and financial crime compliance in order to reduce our exposure to legal and regulatory proceedings
Regulatory changes Potential impact: **Medium** Likelihood: **High** Velocity of change: **Fast**	Risk remained consistent with 2017 levels	→ In July 2017, the CEO of the UK Financial Conduct Authority (FCA) announced that beyond 2021 the FCA would no longer encourage panel banks to submit quotes to LIBOR. While we do not submit to LIBOR, LIBOR is heavily relied upon by the Group as a reference rate, in various client products and for enterprise-level processes and funding. Regulators are trying to catalyse a voluntary transition to alternative risk-free rates (RFRs) → Rules have been defined in many key areas of regulation that could impact our business model and how we manage our capital and liquidity. In particular, the upcoming Basel III proposed changes to capital calculation methodology for Credit and Operational risk, revised framework for securitisation and Credit Valuation Adjustment risk, fundamental review of the trading book, large exposures and implementation of margin reforms, and bank recovery and resolution directive for total loss absorbing capacity → Ongoing regulatory scrutiny and emphasis on local responsibilities for remotely booked business. The degree of reliance on global controls is reducing, and the focus is on local controls and governance → Increased sanctions risk due to the US exiting the Joint Comprehensive Plan of Action (JCPOA, or commonly known as the Iran Nuclear Deal)	→ We actively monitor regulatory initiatives across our footprint to identify any potential impact and change to our business model → A Group-wide programme is being established to manage the transition from LIBOR to alternate RFRs over the coming years → With respect to Basel III: – We are closely monitoring developments, and conducting sensitivity analyses on the potential headwinds and opportunities – We continuously review a menu of prospective capital accretive actions, along with impact to the Group strategy and financial performance → Relevant product areas have implemented project management or programme oversight to review and improve the end-to-end process, including oversight and accountability, policies and standards, transparency and management information, permission and controls, legal-entity level limits and training → We are monitoring the potential changes to the Iran sanctions regime and will take actions accordingly to ensure compliance

Technological considerations

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
New technologies and digitisation (including business disruption risk, responsible use of AI and obsolescence risk) Potential impact: **High** Likelihood: **High** Velocity of change: **Moderate**	Risk heightened in 2018	→ New technologies have continued to gather speed with a growing number of use cases that address evolving customer expectations → In Retail Banking, we continue to observe significant shifts in customer value propositions as markets deepen. Fintechs and existing payment players are increasing digital-only banking offerings to provide consumers with the convenience of banking on-the-go. There is growing usage of AI and machine learning to personalise customer experiences, e.g. virtual chatbots to provide digital financial advice and predictive analytics to cross-sell products. → In Corporate Banking, we observe an increasing focus on process digitisation to boost cost efficiencies. There are growing use cases for blockchain technologies, e.g. to streamline cross-border payments, automate Know Your Customer compliance processes. AI and machine learning have also been increasingly used in predictive risk modelling, e.g. loan default forecasts → Regulators are increasing emphasis on the importance of resilient technology infrastructure in terms of elimination of cyber risk and improving reliability. The challenge is in renewing the estate to reduce the risks presented by obsolescence when the demands of ongoing technology investment delivering into this tech estate and its required performance levels continue to rise significantly.	→ We continue to monitor emerging trends and new developments, opportunities and risks in the technology space, which may have implications on the banking sector → In 2017, the Group set up the SC Ventures unit to spearhead bank-wide digital advancement. The unit is gaining momentum to promote innovation, invest in disruptive technologies and deliver client digital solutions. SC Ventures focuses its activities in three key areas: - Catalysts: Internal consulting team to support the Group's business units in problem-solving and developing best practices in innovation - Investments: Professional investment team to manage the Group's minority investments in third-party fintechs - Ventures: Venture management unit to sponsor and oversee new wholly and partially owned ventures, with a focus on disrupting business models in the Group's operating markets → The Group has continued to make headway in harnessing new technologies to develop innovative solutions, e.g. blockchain-based cross-border wallet remittance service between Hong Kong and Philippines in partnership with Ant Financial. We have also invested in new machine learning technologies that rapidly analyse large datasets and fine-tune the accuracy of our financial crime surveillance tools → In addition, we are developing a framework to ensure Fairness, Ethics, Accountability and Transparency (FEAT) in the Group's usage of AI. We continue to deploy risk-minded controls to ensure that all cloud-based services adhere to a common governance model → We are actively targeting the reduction of obsolescent/end of support technology following a Technology & Innovation-led approach under the oversight of Risk Management and the Group's senior executives. The target is to address the Group's obsolescence risk, by evergreening and use of new technologies such as the Cloud. In addition, we also continue our client focus by delivering outage reductions, enhanced protection by raising cyber defences and efficiency by improvements to technology deployment

Standard Chartered Bank
Risk profile

Principal uncertainties	Risk trend since 2017	Context	How these are mitigated/next steps
Increased data privacy and security risks from strategic and wider use of data Potential impact: **High** Likelihood: **High** Velocity of change: **Fast**	Risk heightened in 2018	→ 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 cyber threat landscape is evolving in terms of scope and pace. Banks may become more susceptible to technology-related data security risks as well as customer privacy. 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 a regulatory and compliance perspective (i.e. the EU General Data Protection Regulation (GDPR) raises the profile of data protection compliance) → As the Group moves towards cloud computing solutions, the increasing use of big data for analysis purposes leads to increased susceptibility to data security and customer privacy risks	→ We have existing governance and control frameworks for the deployment of new technologies and services → To manage the risks posed by rapidly evolving cyber security threats and technology adoption, we have designed a programme to focus on security improvements and build a sustainable plan that will secure its information and technology assets for the long term. The programme is progressing with capability being built out in multiple areas including governance, investment prioritisation and execution risk management → We maintain a vigilant watch on legal and regulatory developments in relation to data protection and customer privacy to identify any potential impact to the business and to implement appropriate mechanisms to control this risk → For the Group, GDPR principally impacts Group locations and client segments in the EU, functions such as Human Resources and downstream suppliers such as hubs and external vendors that process personal data caught by the GDPR (EU personal data). A GDPR programme has been established to review and remediate vendor contracts and intra-group agreements that involve the processing of EU personal data

Standard Chartered Bank
Capital review

Capital management and governance

The Group's capital and leverage position is managed within the Board-approved Risk Appetite. Further detail is provided within the Enterprise Risk Management Framework section on (page 144).

Standard Chartered Bank is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA as Standard Chartered Bank (Solo Consolidated). The Group operates through branches and a number of significant subsidiaries including Standard Chartered Bank, Standard Chartered Bank (HK) Limited and Standard Chartered Bank Korea Limited. These subsidiaries are subject to local regulation and, therefore may be subject to different rules relating to capital and RWA requirements and the implementation and phasing of Basel III. The Group's 2018 Pillar 3 Disclosures provide further details on these subsidiaries.

IFRS 9

In line with previous guidance, the decrease in the CET1 capital ratio on adoption of the IFRS 9 accounting standard was around 13 basis points after considering the offset against existing regulatory expected losses. Under transitional rules, the day one impact on the CET1 ratio was negligible.

Capital ratios (unaudited)

	31.12.18	31.12.17
CET1	**15.0%**	14.1%
Tier 1 capital	**17.5%**	16.4%
Total capital	**21.5%**	21.2%

CRD IV Capital base[1]

	31.12.18 $million	31.12.17 $million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	**26,820**	26,820
Of which: share premium accounts	**296**	296
Retained earnings	**19,352**	19,533
Accumulated other comprehensive income (and other reserves)	**(5,176)**	(4,258)
Non-controlling interests (amount allowed in consolidated CET1)	**3,829**	3,805
Independently reviewed interim and year-end profits	**873**	1,007
Foreseeable dividends net of scrip	**(221)**	(399)
CET1 capital before regulatory adjustments	**45,477**	46,508
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(564)**	(574)
Intangible assets (net of related tax liability)	**(4,720)**	(4,687)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(115)**	(125)
Fair value reserves related to net losses on cash flow hedges	**27**	46
Deduction of amounts resulting from the calculation of excess expected loss	**(875)**	(1,142)
Net gains on liabilities at fair value resulting from changes in own credit risk	**(391)**	(55)
Defined-benefit pension fund assets	**(36)**	(40)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	**(127)**	(59)
Exposure amounts which could qualify for risk weighting of 1,250%	**(123)**	(141)
Total regulatory adjustments to CET1	**(6,924)**	(6,777)
CET1 capital	**38,553**	39,731
Additional Tier 1 capital (AT1) instruments	**6,500**	6,500
AT1 regulatory adjustments	**(20)**	(20)
Tier 1 capital	**45,033**	46,211
Tier 2 capital instruments	**10,461**	13,706
Tier 2 regulatory adjustments	**(30)**	(30)
Tier 2 capital	**10,431**	13,676
Total capital	**55,464**	59,887
Total risk-weighted assets (unaudited)	**257,497**	282,038

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

Independent auditor's report to the members of Standard Chartered Bank

1 Our opinion is unmodified

We have audited the financial statements of Standard Chartered Bank ("the Company") and its subsidiaries (together "the Group"), for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the Group and Company cash flow statements, the Company balance sheet, the Company statement of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the company before 1973. The period of total uninterrupted engagement is for more than the 46 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Risks of material misstatement		**vs 2017**
Recurring risks	Legal and regulatory matters	▲
	Credit impairment	◄►
	Information technology	▲
	Valuation of financial instruments held at fair value	◄►
	Goodwill	▼

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matters	The risk	How our audit addressed the key audit matter
Legal and regulatory matters *Refer to page 276 (note 23 Provisions for liabilities and charges), page 276 (note 24 Contingent liabilities and commitments) and page 277 (note 25 Legal and regulatory matters) including accounting policies*	**Estimation uncertainty** There are a number of pending and ongoing legal disputes and regulatory investigations involving the Group. In certain litigation and regulatory matters significant judgement is required by the Group to determine whether a present obligation exists and whether a provision should be recognised. If there is a present obligation, there are significant judgements in determining the measurement of provisions, which are subject to the future outcome of legal or regulatory processes. We focused on the risk of material misstatement arising from ongoing investigations by regulators, specifically in the US relating to the possible violation of US sanction laws and regulations. Refer to note 25 (under 'investigations into legacy financial crime control issues') in relation to the Group's ongoing discussions with the relevant US and UK authorities regarding the resolution of these investigations. The amounts involved could be potentially significant, and the application of accounting standards to estimate the expected outflow of any liability to be recognised is inherently subjective. The value of provision liability recognised, for the legal and regulatory matters above, has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: **Enquiry of lawyers:** Meetings and correspondence with the Group's external counsel in the US and UK and discussions with the PRA (who are in regular contact with US and other regulatory bodies) to understand the nature and status of legal disputes and regulatory investigations in order to determine whether or not a provision should be recognised. **Assessing provisions and contingent liabilities:** We critically assessed and challenged the adequacy of provisions and disclosure of contingent liability disclosure including the Group's ability to reliably estimate any monetary penalties. Our procedures included comparing assumptions to historical data, approved settlement agreements in similar cases and enquiry of, and inspection of correspondence with, external lawyers. **Assessing transparency:** Assessed whether the disclosures related to significant litigation and regulatory matters adequately disclose the liabilities and the significant uncertainties that exist. **Our results:** We considered the provisions for legal and regulatory matters recognised, including the related disclosures and the contingent liability disclosures made in note 25, to be acceptable (2017: acceptable).

Key audit matters	The risk	How our audit addressed the key audit matter
Credit impairment Group: Charge: $653 million (2017: $1,341 million) Impairment provision: $5,186m million (1 January 2018: $6,597 million, 2017: $5,707 million) Company: Charge: $542 million 1,023 Impairment provision $3,719 million ((1 January 2018: $4,786 million, 2017: $4,376 million) Refer to page 205 (accounting policy) and page 50 (financial disclosures).	**Subjective estimate** IFRS 9 was implemented by the Group on 1 January 2018. This new standard requires the Group to recognise expected credit losses ("ECL") on financial instruments which involves significant judgement and estimates to be made by the Company. The carrying value of financial instruments within the scope of IFRS 9 ECL may be materially misstated if judgements or estimates made by the Company are inappropriate. The most significant areas where we identified greater levels of judgement are: o Significant Increase in Credit Risk ("SICR") – the criteria selected to identify a SICR are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of facilities is greater than 12 months. o Economic base case – IFRS 9 requires the Group to measure ECL on a forward-looking basis, incorporating future macro-economic variables reflecting a range of future conditions. The economic base case is the key driver of the range of future conditions. o Complex ECL models – inherently judgemental modelling techniques are used to estimate ECLs which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). The PD model used in the CIB portfolio is the key driver of the Group's overall ECL. o Qualitative adjustments – adjustments to model-driven ECL results are raised to address model limitations or emerging risks and trends in underlying portfolios, which are inherently judgemental.	**Our procedures included:** **Control design, observation and operation**: We tested the design and operation of manual and automated controls over the ECL including over: o the assessment and calculation of material SICR indicators and criteria o the review and approval of the macroeconomic base case used in the ECL calculation o the independent model validation function o the accuracy of critical data elements input into the system used for credit grading and the approval of credit facilities; o the completeness and accuracy of data flows from source systems into the ECL calculation; and o the ongoing monitoring and identification of loans displaying indicators of impairment and whether they are migrating, on a timely basis, to a watchlist (early alert) or to grades 12 to 14 (managed by Group Special Asset Management) including generation of days past due reports. **Assessing SICR thresholds:** We have tested the effectiveness of the SICR thresholds employed by the Group across material retail and wholesale portfolios. **Our economic scenario expertise:** We involved KPMG economic specialists to assist us in assessing the appropriateness of the Group's methodology for determining the base case economic scenario for material macroeconomic variables, and to challenge the base case forecast against market consensus information. **Our financial risk modelling expertise:** We involved KPMG financial risk management modelling specialists to assist us in assessing the appropriateness of material models within the Group. For a sample of material models we assessed the credit risk modelling approach, reperformed certain aspects of the model build and independently evaluated model performance results during the year. **Assessing qualitative adjustments to model-driven ECL:** we assessed the appropriateness of overlays to model-driven ECL for CIB, CB and Retail by taking into account the judgements and estimates the Group has made through the ECL calculation process (including macroeconomic forecasts). We also considered the performance of ECL models during the year, assessed the appropriateness of proxies and impact of assumptions used in the calculation

Key audit matters	The risk	How our audit addressed the key audit matter
	o Individually assessed exposures carrying value – the carrying value of loans and advances to banks and customers may be materially misstated if individual impairments are not appropriately identified and estimated. The identification of impaired assets and the estimation of impairment including a range of estimates of future cash flows and valuation of collateral, The effect of these matters is that, as part of our risk assessment, we determined that the value ECL has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (see page 113) disclose the sensitivity estimated by the Group.	**Assessing individual exposures**: We selected a sample (based on quantitative thresholds) of larger clients where impairment indicators had been identified by the Company. We obtained the Company's assessment of the recoverability of these exposures and challenged whether individual impairment provisions, or lack of, were appropriate. This included the following procedures: O challenged the different recovery scenarios identified by the Group by comparing to external information including, publicly available financial performance, sale agreements and bankruptcy listings O challenged the probability weighting assigned to each scenario by performing sensitivity analysis; O assessed external collateral valuer's credentials and compared external valuations to values used in the Company's impairment assessments. **Our results:** We considered the credit impairment charge and provision recognised and the related disclosures to be acceptable (2017: acceptable).

Key audit matters	The risk	How our audit addressed the key audit matter
Information technology	**Control performance** The Group's key financial accounting and reporting processes are highly dependent on the automated controls over the Group's IT systems. There is a risk that gaps in the change management, segregation of duties or user access management controls (in relation to key financial accounting and reporting systems) may undermine our ability to place some reliance thereon in our audit.	**Our procedures included**: **General IT controls design, observation and operation:** Tested a sample of key controls operating over the information (in relation to financial accounting and reporting systems), including change management, segregation of duties and user access management controls. **Change management control operation:** Obtained and inspected the change management policies and, for a sample of system changes during the year (in relation to financial accounting and reporting systems), confirmed that changes had been performed in line with policy. **Segregation of duties control operation:** Tested a sample of the automated controls (in relation to financial accounting and reporting systems) that are designed to enforce appropriate segregation of duties. **User access management controls operation**: We obtained the Group's evaluation of the access rights, including privileged access rights, granted to applications relevant to financial accounting and reporting systems and tested the resolution of a sample of exceptions. We also assessed the operating effectiveness of controls over granting, removal and appropriateness of access rights, including privileged access rights. **Our results:** We considered the change management and segregation of duties controls in relation to financial accounting and reporting systems to be acceptable (2017: acceptable). Our testing identified some weaknesses in the design and operation of user access management controls. As a result we expanded the extent of our testing by performing a combination of testing of mitigating controls and substantive testing to address the control weaknesses identified, such additional procedures included: o Where relevant, evaluated alternative monitoring controls that were performed by the Group o Obtained and inspected the last log in dates of users with privileged access, to identify whether they accessed any financial accounting and reporting systems during 2018 o Obtained and evaluated reports which assessed the coding of the in scope applications to evaluate whether any unauthorised changes have taken place o Assessed the nature of IDs not subject to monitoring controls to ascertain the level of privilege and potential impact on financial and reporting systems o Evaluated compensating controls, including reconciliation controls With the above mitigating procedures performed, we have reduced the audit risk relating to user access management controls to an acceptable level.

Key audit matters	The risk	How our audit addressed the key audit matter
Valuation of financial instruments held at fair value Fair value of level 3 asset positions $ 2,198 million comprising 0.9% of total fair value financial instruments (1 January 2018: $2,960 million, 1.3% 2017: $2,071 million, 1.1%) Fair value of level 3 liability positions $972 million comprising 0.9% of total fair value financial instrument liabilities (1 January 2018: $536 million, 0.5%, 2017: $536 million, 0.8%) Company: Fair value of level 3 positions $ 425 million comprising 0.2% of total fair value financial instruments (1 January 2018: $700 million, 0.4% 2017: $533 million, 0.5%) Fair value of level 3 lability positions $ 739 million comprising 0.8% of total fair value financial instrument liabilities (1 January 2018: $328 million, 0.6%, 2017: $328 million, 0.86) Refer to page 229 (accounting policy) and page 214 (note 12 Financial instruments)	**Subjective estimate** The valuation of level 3 financial instruments held at fair value through profit or loss or through other comprehensive income may be misstated due to the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates. A subjective estimate exists for instruments where the valuation method uses significant unobservable inputs which is principally the case for level 3 financial instruments. Our work focused on the following: o identification of level 3 positions o valuation of level 3 positions, including unlisted investments in the Principal Finance business and derivatives with significant unobservable pricing inputs o modelling of, and key inputs into, the valuation of derivative and other instruments classified as level 3 The effect of these matters is that, as part of our risk assessment, we determined that the valuation of level 3 instruments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (page 251) disclose the sensitivity estimated by the Group.	**Our procedures included:** **Controls operation:** We tested the Group's controls over the identification and measurement of level 3 financial instruments including independent price verification controls and pricing inputs. **Methodology assessment:** We assessed the reasonableness of valuation methodology, model calculation, inputs and assumptions used for a selection of level 3 positions. This included considering potential alternatives and sensitivities to key factors, for example EBITDA and PE multiples for Principal Finance investments. **Assessing completeness:** We assessed the methodology applied for the fair value hierarchy. For a sample of level 2 and 3 financial instruments we challenged the appropriateness of the levelling classification. This included determining whether level 2 financial instruments met the requisite criteria to be classified as such. **Our results:** We considered the valuation of level 3 financial instruments held at fair value and the related disclosures to be acceptable (2017: acceptable).

Key audit matters	The risk	How our audit addressed the key audit matter
Goodwill impairment Impairment: nil (2017: $320 million) Goodwill: $2,690 million (2017: $ 2,794 million) Company: Impairment: nil (2016: nil) Goodwill: $955million (2016: $978 million) Refer to page 267 (note 16 Goodwill and Intangible assets including accounting policies)	**Subjective estimate** Goodwill may be misstated if the carrying value of goodwill in the balance sheet is not supported by the estimated discounted future cash flows of the underlying businesses (the "value in use"). The identification of indicators of impairment and the preparation of the estimate of the value in use involves subjective judgements and uncertainties. Our work focused on cash generating units (CGUs) which have low headroom or significantly reduced headroom, including: o India o Pakistan; and o Taiwan The effect of these matters is that, as part of our risk assessment, we determined that the value in use has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (page 269) disclose the sensitivity estimated by the Group.	**Our procedures included:** **Methodology assessment:** Assessed whether the segmentation of the CGUs, reflects our understanding of the business and how it operates including assessment of the independence of the underlying cash flows. **Benchmarking assumptions:** For a sample of CGUs, including those identified opposite, compared the growth rate assumptions to externally derived data for key inputs, including projected economic growth **Our expertise:** Our valuation specialists critically assessed the appropriateness of the discount rates for a sample of CGUs, including those identified opposite, independently calculating discount rate ranges using external data sources and peer bank data for local risk free rates, betas and market/country/entity risk premiums. **Sensitivity analysis:** Performing breakeven analysis on the discount rate and the future cash flows **Historical comparison:** Assessed the Group's ability to accurately prepare forecasts by comparing to actual results **Consistency comparison**: Assessed the consistency of projected cash flows to the Board approved corporate plan **Our results**: We considered the goodwill impairment recognised, the goodwill balance and the related disclosures to be acceptable (2017: acceptable).

3 Our application of materiality and an overview of the scope of our audit

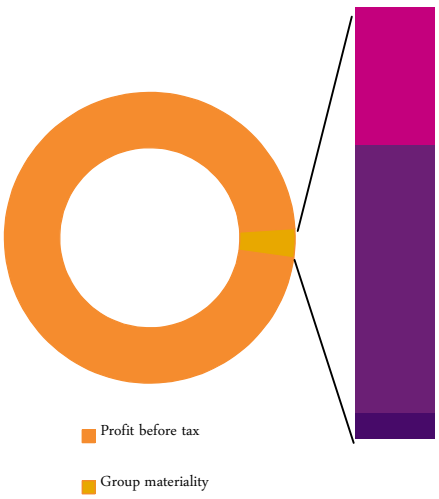
Materiality
Materiality for the Group financial statements as a whole was set at $120 million (2017: $100 million) with reference to a benchmark of normalised profit before tax for the year of $3,758 million (of which it represents 3.2%). We have normalised the 2018 profit before tax by adding back the provisions for regulatory matters (see Note 2) as they do not represent normal ongoing business and therefore the benchmark adjusted for this is considered to be the most appropriate benchmark to use. In the prior year we used 3.7% of profit before tax ($2,712 million).

Materiality for the Parent Company financial statements as a whole was set at $100m (2017: $100m), determined with reference to a benchmark of absolute profit before tax, of which it represents 2.7% (2017: 3.1%). We considered net assets to be the most appropriate benchmark as the parent company's balance sheet largely consists of investment in subsidiaries and intergroup amounts.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements affecting Group profit and loss or Group shareholders' funds exceeding $5 million (2017: $5 million) and affecting Group assets or liabilities exceeding $50 million (2017: $50 million), in addition to other identified misstatements that warrant reporting on qualitative grounds.

The Group team instructed component and hub auditors as to the significant areas to be covered, including the relevant risks and the information to be reported to the Group team. The Group team approved the component materiality levels, which ranged from $1 million to $40 million (2017: $1 million to $40 million), having regard to the size and risk profile of the components.

Profit before tax
$ 2.858bn (2017: $2.712bn)



Group Materiality
$120m (2017: $100m)

$120m

Whole financial statements materiality (2017: $100m)

$40m

Range of materiality at 30 (2017: 39) components: $1m to $40m (2017: $1m to $40m)

$5m

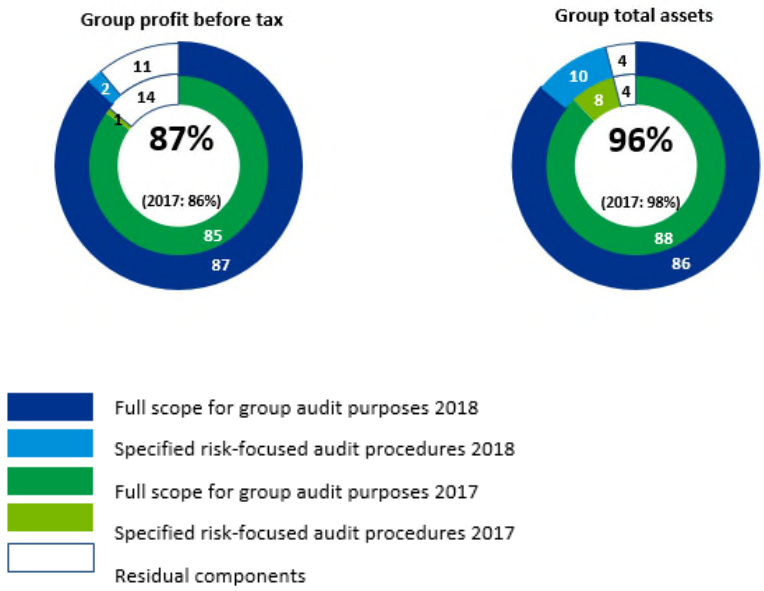
Misstatements reported to the audit committee (2017: $5m)

Scope – general
The scoping of our audit is focused on those components which are either individually significant or contain significant risks. Components subject to specified audit procedures (as shown in the table opposite) were not individually financially significant enough to require an audit for Group reporting purposes, but were either scoped in on the basis of the significant volume of liquid assets and transactions processed in those components or contained significant risks which were covered centrally.

The Group operates 9 (2017: 8) shared service centres, the outputs of which are included in the financial information of the reporting components they service and therefore they are not separate reporting components. All shared service centres where in-scope financial reporting processes are performed were subject to specified audit procedures, primarily over transaction processing and IT controls.

	2018	2017
Total Group components[1]	176	153
Components subject to full scope for group audit	26	35
Components subject to specified risk focused procedures	4	4
Hubs subject to specified audit procedures	8	8

[1] Component defined as a reporting component within the Group's consolidation system, typically these are either a branch or a subsidiary of the Group



[1] Calculation used absolute profit before tax. Specified risk-focused audit procedures coverage was calculated using absolute income and expenses.

Team structure
As part of determining the scope and preparing the audit plan and strategy, the Group team led a global planning conference to discuss key audit risks and obtain input from component and hub teams. Aside from the audit of the parent Company, consolidation, valuation of financial instruments, modelled expected credit losses, goodwill impairment and material litigation and regulatory provisions all audit work was performed by component or hub auditors.

Further, the Group team visited 12 (2017: 9) component and hub locations; China, Ghana, Hong Kong, India, Kenya, Malaysia, Nigeria, Pakistan, Singapore, South Korea, United Arab Emirates and United Kingdom (2017: Bangladesh, China, Hong Kong, India, Malaysia, Singapore, South Korea, the United Kingdom and United States of America). At these visits and meetings, the findings reported to the Group team and any further work required by the Group team were discussed in more detail.

Aside from the site visits, regular conference calls were also held with the component auditors.

The Group team also inspected the component team's key work papers related to the significant risks and assessed the appropriateness of conclusions and the consistency between reported findings and work performed.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this approach is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Availability of funding and liquidity in the event of a market wide stress scenario; and
- Impact on regulatory capital requirements in the event of an economic slowdown or recession.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, as included within the Company's recent stress tests, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

5 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 47, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they 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
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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.
Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct, financial crime including money laundering, sanctions list and market abuse regulations recognising the financial and regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Further detail in respect of legal and regulatory matters is set out in the key audit matter disclosures in section 2 of this report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

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.

Paul Furneaux
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
25 February 2019

Standard Chartered Bank

Consolidated income statement

For the year ended 31 December 2018

	Notes	31.12.18 $million	31.12.17 $million
Interest income		**17,285**	14,447
Interest expense		**(8,221)**	(6,139)
Net interest income	3	**9,064**	8,308
Fees and commission income		**4,062**	3,960
Fees and commission expense		**(649)**	(504)
Net fee and commission income	4	**3,413**	3,456
Net trading income	5	**1,814**	1,633
Other operating income	6	**649**	1,076
Operating income		**14,940**	14,473
Staff costs		**(7,062)**	(6,732)
Premises costs		**(772)**	(810)
General administrative expenses		**(2,857)**	(1,959)
Depreciation and amortisation		**(812)**	(758)
Operating expenses	7	**(11,503)**	(10,259)
Operating profit before impairment losses and taxation		**3,437**	4,214
Credit impairment	8	**(653)**	(1,341)
Other impairment			
Goodwill	9	**-**	(320)
Other	9	**(164)**	(109)
Profit from associates and joint ventures	31	**238**	268
Profit before taxation		**2,858**	2,712
Taxation	10	**(1,447)**	(1,128)
Profit for the year		**1,411**	1,584
Profit attributable to:			
Non-controlling interests	28	**554**	585
Parent company shareholders		**857**	999
Profit for the year		**1,411**	1,584

The notes on pages 194 to 330 form an integral part of these financial statements.

Standard Chartered Bank

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	31.12.18 $million	31.12.17 $million
Profit for the year		**1,411**	1,584
Other comprehensive (loss)/income			
Items that will not be reclassified to Income statement:		**382**	(238)
Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss		**394**	(249)
Equity instruments at fair value through other comprehensive income		**36**	-
Actuarial (losses)/gains on retirement benefit obligations	29	**(19)**	32
Taxation relating to components of other comprehensive income	10	**(29)**	(21)
Items that may be reclassified subsequently to Income statement:		**(1,193)**	1,526
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity		**(1,460)**	1,637
Net gains/(losses) on net investment hedges		**282**	(288)
Share of other comprehensive income/(loss) from associates and joint ventures		**33**	(1)
Debt instruments at fair value through other comprehensive income/ available for sale investments:			
Net valuation (losses)/gains taken to equity		**(134)**	363
Reclassified to income statement		**31**	(233)
Cash flow hedges:			
Net gains taken to equity		**34**	35
Reclassified to income statement	13	**7**	11
Taxation relating to components of other comprehensive income	10	**14**	2
Other comprehensive (loss)/income for the year, net of taxation		**(811)**	1,288
Total comprehensive income for the year		**600**	2,872
Total comprehensive income/(loss) attributable to:			
Non-controlling interests	28	**613**	620
Parent company shareholders		**(13)**	2,252
		600	2,872

Standard Chartered Bank

Consolidated balance sheet

As at 31 December 2018

	Notes	Group 31.12.18 $million	Group 31.12.17 $million	Company 31.12.18 $million	Company 31.12.17 $million
Assets					
Cash and balances at central banks	12,34	**57,511**	58,864	**44,749**	44,951
Financial assets held at fair value through profit or loss	12	**87,010**	27,324	**71,650**	17,584
Derivative financial instruments	12,13	**46,990**	47,755	**46,930**	47,535
Loans and advances to banks[1]	12,14	**61,411**	78,178	**23,732**	47,494
Loans and advances to customers[2]	12,14	**256,562**	282,286	**77,282**	128,371
Investment securities	12	**125,901**	116,935	**63,983**	59,512
Other assets	19	**35,369**	33,380	**21,631**	22,881
Due from subsidiary undertakings and other related parties		**1,354**	1,234	**12,025**	16,629
Current tax assets	10	**492**	491	**284**	373
Prepayments and accrued income		**2,505**	2,307	**1,322**	1,199
Interests in associates and joint ventures	31	**2,307**	2,299	**839**	860
Investment in subsidiary undertakings	31	**-**	-	**13,598**	13,517
Goodwill and intangible assets	16	**4,632**	4,511	**2,673**	2,500
Property, plant and equipment	17	**5,983**	6,533	**320**	449
Deferred tax assets	10	**1,047**	1,177	**665**	780
Assets classified as held for sale	20	**820**	478	**43,655**	5
Total assets		**689,894**	663,752	**425,338**	404,640
Liabilities					
Deposits by banks	12	**29,715**	30,945	**22,434**	24,348
Customer accounts	12	**391,013**	370,509	**120,890**	143,532
Repurchase agreements and other similar secured borrowing	12,15	**1,401**	39,783	**434**	37,786
Financial liabilities held at fair value through profit or loss	12	**60,700**	16,633	**51,059**	9,802
Derivative financial instruments	12,13	**47,453**	48,371	**46,668**	47,536
Debt securities in issue	12,21	**29,188**	30,181	**23,898**	25,446
Other liabilities	22	**38,259**	35,081	**21,183**	23,283
Due to parent companies, subsidiary undertakings & other related parties		**18,000**	15,949	**40,697**	34,261
Current tax liabilities	10	**686**	351	**265**	122
Accruals and deferred income		**5,000**	5,082	**1,970**	3,132
Subordinated liabilities and other borrowed funds	12,26	**13,245**	15,571	**12,467**	14,692
Deferred tax liabilities	10	**550**	383	**410**	260
Provisions for liabilities and charges	23	**1,330**	179	**1,375**	262
Retirement benefit obligations	29	**399**	455	**324**	409
Liabilities included in disposal groups held for sale	20	**124**	-	**43,649**	-
Total liabilities		**637,063**	609,473	**387,723**	364,871
Equity					
Share capital and share premium account	27	**28,320**	28,320	**28,320**	28,320
Other reserves		**(5,176)**	(4,256)	**(1,702)**	(1,358)
Retained earnings		**19,904**	20,644	**5,997**	7,807
Total parent company shareholders' equity		**43,048**	44,708	**32,615**	34,769
Other equity instruments	27	**5,000**	5,000	**5,000**	5,000
Total equity excluding non-controlling interests		**48,048**	49,708	**37,615**	39,769
Non-controlling interests	28	**4,783**	4,571	**-**	-
Total equity		**52,831**	54,279	**37,615**	39,769
Total equity and liabilities		**689,894**	663,752	**425,338**	404,640

1 Reverse repurchase agreements and other similar secured lending balances held at amortised cost of $3,815 million (31 December 2017: $20,694 million) has been included with loans and advances to banks in Bank Group and in Bank Company $26 million (31 December 2017: $15,596 million)

2 Reverse repurchase agreements and other similar secured lending balances held at amortised cost $3,151 million (31 December 2017: $33,581 million) has been included with loans and advances to customers in Bank Group and in Bank Company $1,470 million (31 December 2017: $31,707 million)

The notes on pages 194 to 330 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 2019 and signed on its behalf by:

Bill Winters, Director

Andy Halford, Director

Standard Chartered Bank

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Share capital and share premium account	Capital and merger reserves[1]	Own credit adjustment reserve	Available-for-sale reserve	Fair value through other comprehensive income reserve – debt	Fair value through other comprehensive income reserve – equity	Cash flow hedge reserve	Translation reserve	Retained earnings	Parent company shareholders' equity	Other equity instruments	Non-controlling interests	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
At 1 January 2017	28,320	40	289	46	-	-	(73)	(5,783)	19,968	42,807	4,000	4,187	50,994
Profit for the period	-	-	-	-	-	-	-	-	999	999	-	585	1,584
Other comprehensive (loss)/income	-	-	(211)	66	-	-	27	1,343	28[2]	1,253	-	35	1,288
Distributions	-	-	-	-	-	-	-	-	-	-	-	(248)	(248)
Other equity instruments issued, net of expenses	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000
Deemed capital contribution[3]	-	-	-	-	-	-	-	-	150	150	-	-	150
Dividends[4]	-	-	-	-	-	-	-	-	(392)	(392)	-	-	(392)
Deemed distribution to parent[3]	-	-	-	-	-	-	-	-	(150)	(150)	-	-	(150)
Other movements[5]	-	-	-	-	-	-	-	-	41	41	-	12	53
At 31 December 2017	28,320	40	78	112	-	-	(46)	(4,440)	20,644	44,708	5,000	4,571	54,279
IFRS 9 Reclassifications[6]	-	-	-	(112)	(95)	43	-	-	164	-	-	-	-
IFRS 9 Re-measurements[6]	-	-	-	-	-	4	-	-	33	37	-	-	37
Expected credit loss, net	-	-	-	-	65	-	-	-	(1,017)[7]	(952)	-	(63)	(1,015)
Tax impact	-	-	-	-	(11)	5	-	-	179	173	-	-	173
Impact of IFRS 9 on share of joint ventures and associates, net of tax	-	-	-	-	-	(1)	-	-	(50)	(51)	-	-	(51)
IFRS9 transition adjustments	-	-	-	(112)	(41)	51	-	-	(691)	(793)	-	(63)	(856)
As at 1 January 2018	**28,320**	**40**	**78**	**-**	**(41)**	**51**	**(46)**	**(4,440)**	**19,953**	**43,915**	**5,000**	**4,508**	**53,423**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**857**	**857**	**-**	**554**	**1,411**
Other comprehensive income/(loss)	**-**	**-**	**312**	**-**	**(95)**	**52**	**19**	**(1,106)**	**(52)[2]**	**(870)**	**-**	**59**	**(811)**
Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(341)**	**(341)**
Shares issued, net of expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other equity instruments issued, net of expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net own shares adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share option expense, net of taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deemed capital contribution[3]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**188**	**188**	**-**	**-**	**188**
Dividends[4]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(822)**	**(822)**	**-**	**-**	**(822)**
Deemed distribution to parent[3]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(220)**	**(220)**	**-**	**-**	**(220)**
Other movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3[8]**	**3**
As at 31 December 2018	**28,320**	**40**	**390**	**-**	**(136)**	**103**	**(27)**	**(5,546)**	**19,904**	**43,048**	**5,000**	**4,783**	**52,831**

1 Includes capital reserve of $35 million, capital redemption reserve of $5 million

2 Comprises actuarial gain/(loss), net of taxation and share from associates and joint ventures $(52) million (31 December 2017: $28 million)

3 Relates to deemed dividend distribution for $57 million and $163 million relates to deemed capital contribution from parent company arising from share based payment net of taxation and 31 December 2017 relates to deemed capital contribution from parent company arising from share based payment net of taxation

4 Comprises dividends paid net of scrip $384 million (31 December 2017: $nil) and dividends on preference shares classified as equity and Additional Tier 1 securities $438 million (31 December 2017: $392 million)

5 Mainly due to additional share capital issued including the premium by Nepal to its non-controlling interests for $31 million

6 As per Note 40 Transition to IFRS 9 Financial Instruments

7 The Group's initial estimate of credit impairment provisions on adoption of IFRS 9 was $6,720 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment provisions has been revised down by $222 million to $6,498 million, and the net expected credit loss of $(1,296) million adjusted against retained earnings has similarly decreased by $222 million to $1,074 million

8 Mainly due to additional share capital issued by Angola subscribed by its non-controlling interest without change in shareholding percentage

Note 27 includes a description of each reserve.

The notes on pages 194 to 330 form an integral part of these financial statements.

Standard Chartered Bank

Cash flow statement

For the year ended 31 December 2018

	Notes	Group 31.12.18 $million	Group 31.12.17 $million	Company 31.12.18 $million	Company 31.12.17 $million
Cash flows from operating activities:					
Profit before taxation		**2,858**	2,712	**179**	(253)
Adjustments for non-cash items and other adjustments included within income statement	33	**1,892**	2,576	**1,346**	1,821
Change in operating assets	33	**(14,789)**	(9,210)	**(11,804)**	(655)
Change in operating liabilities	33	**38,061**	611	**26,942**	(9,734)
Contributions to defined benefit schemes	29	**(143)**	(143)	**(90)**	(86)
UK and overseas taxes paid	10	**(742)**	(909)	**(230)**	(399)
Net cash from/(used in) operating activities		**27,137**	(4,363)	**16,343**	(9,306)
Cash flows from investing activities:					
Purchase of property, plant and equipment	17	**(170)**	(165)	**(49)**	(53)
Disposal of property, plant and equipment		**79**	29	**2**	14
Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired	31	**-**	(44)	**(596)**	(329)
Dividends received from subsidiaries, associates and joint ventures	31	**67**	2	**941**	677
Disposal of subsidiaries		**7**	-	**5**	12
Purchase of investment securities		**(276,388)**	(265,186)	**(119,676)**	(107,499)
Disposal and maturity of investment securities		**263,980**	261,316	**110,368**	105,104
Net cash (used in) investing activities		**(12,425)**	(4,048)	**(9,005)**	(2,074)
Cash flows from financing activities:					
Issue of Additional Tier 1 capital, net of expenses	27	**-**	1,000	**-**	1,000
Interest paid on subordinated liabilities	33	**(637)**	(390)	**(584)**	(729)
Repayment of subordinated liabilities	33	**(2,244)**	(4,584)	**(2,162)**	(4,561)
Proceeds from issue of senior debts	33	**5,214**	792	**3,765**	-
Repayment of senior debts	33	**(3,888)**	(925)	**(2,781)**	-
Interest paid on senior debts	33	**(151)**	(70)	**(128)**	-
Investment from non-controlling interests		**-**	12	**-**	-
Dividends paid to non-controlling interests and preference shareholders		**(779)**	(640)	**(438)**	(392)
Dividends paid to ordinary shareholders		**(384)**	-	**(384)**	-
Net cash used in financing activities		**(2,869)**	(4,805)	**(2,712)**	(4,682)
Net increase/(decrease) in cash and cash equivalents		**11,843**	(13,216)	**4,626**	(16,062)
Cash and cash equivalents at beginning of the year		**87,231**	96,977	**55,832**	68,922
Effect of exchange rate movements on cash and cash equivalents		**(1,579)**	3,470	**(554)**	2,972
Cash and cash equivalents at end of the year	34	**97,495**	87,231	**59,904**	55,832

The notes on pages 194 to 330 form an integral part of these financial statements.

Standard Chartered Bank

Company statement of changes in equity

For the year ended 31 December 2018

	Share capital and share premium account	Capital and merger reserves[1]	Own credit adjustment reserve	Available -for-sale reserve	Fair value through other comprehensive income reserve – debt	Fair value through other comprehensive income reserve – equity	Cash flow hedge reserve	Translation reserve	Retained earnings	Other equity instruments	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
At 1 January 2017	28,320	40	238	(43)	-	-	(43)	(1,779)	8,828	4,000	39,561
Loss for the year	-	-	-	-	-	-	-	-	(668)	-	(668)
Other comprehensive (loss)/income	-	-	(186)	20	-	-	-	395	(41)	-	188
Other equity instruments issued	-	-	-	-	-	-	-	-	-	1,000	1,000
Deemed capital contribution[2]	-	-	-	-	-	-	-	-	118	-	118
Dividends[3]	-	-	-	-	-	-	-	-	(392)	-	(392)
Deemed distribution to parent[2]	-	-	-	-	-	-	-	-	(118)	-	(118)
Other movements[4]	-	-	-	-	-	-	-	-	80	-	80
As at 31 December 2017	28,320	40	52	(23)	-	-	(43)	(1,384)	7,807[3]	5,000	39,769
IFRS 9 Reclassifications[5]	-	-	-	23	(98)	47	-	-	28	-	-
IFRS 9 Re-measurements[5]	-	-	-	-	-	-	-	-	14	-	14
Expected credit loss, net	-	-	-	-	23	-	-	-	(512)[6]	-	(489)
Tax impact	-	-	-	-	(2)	5	-	-	76	-	79
Impact of IFRS 9 on share of joint ventures and associates, net of tax	-	-	-	-	-	-	-	-	-	-	-
IFRS9 transition adjustments	-	-	-	23	(77)	52	-	-	(394)[6]	-	(396)
As at 1 January 2018	**28,320**	**40**	**52**	**-**	**(77)**	**52**	**(43)**	**(1,384)**	**7,413**	**5,000**	**39,373**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(568)**	**-**	**(568)**
Other comprehensive income/(loss)	**-**	**-**	**270**	**-**	**(112)**	**(5)**	**1**	**(496)**	**26**	**-**	**(316)**
Deemed capital contribution[2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139**	**-**	**139**
Dividends[3]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(822)**	**-**	**(822)**
Deemed distribution to parent[2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(191)**	**-**	**(191)**
As at 31 December 2018	**28,320**	**40**	**322**	**-**	**(189)**	**47**	**(42)**	**(1,880)**	**5,997**	**5,000**	**37,615**

1 Includes capital reserve of $35 million, capital redemption reserve of $5 million

2 Relates to deemed dividend distribution for $57 million and $134 million relates to deemed capital contribution from parent company arising from share based payment net of taxation at 31 December 2018 and in 31 December 2017 relates to deemed capital contribution from parent company arising from share based payment net of taxation

3 Comprises dividends paid net of scrip $384 million (31 December 2017: $nil) and dividends on preference shares classified as equity and Additional Tier 1 securities $438 million (31 December 2017: $392 million)

4 Relates to transfer of goodwill

5 As per Note 40 Transition to IFRS 9 Financial Instruments

6 The Group's initial estimate of credit impairment provisions on adoption of IFRS 9 was $4,838 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment provisions has been revised down by $130 million to $4,708 million, and the net expected credit loss of $(642) million adjusted against retained earnings has similarly decreased by $130 million to $(512) million

Note 27 include a description of each reserve.

The notes on pages 194 to 330 form an integral part of these financial statements.

Standard Chartered Bank
Notes to the financial statements
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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 interest in associates and jointly controlled entities.

The parent company financial statements present information about the Company as a separate entity.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations as endorsed by the European Union (EU). EU-endorsed IFRS may differ from IFRS published by the International Accounting Standards Board (IASB) if a standard has not been endorsed by the EU.

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 following parts of the Risk review and Capital review form part of these financial statements:

a) From the start of Risk profile section (page 53) to the end of other principal risks in the same section (page 140) excluding:

- → Credit quality by geographic region (page 72)
- → Credit quality by industry (page 74)
- → Forborne and other modified loans by region (page 87)
- → Credit-impaired (stage 3) loans by geographic region (page 91)
- → Industry and Retail products analysis by geographic region (page 102)
- → Asset-backed securities (page 109)
- → Country risk (page 117)
- → Risks not in VaR (page 120)
- → Backtesting (page 120)
- → Mapping of market risk items to the balance sheet (page 122)
- → Liquidity coverage ratio (LCR) (page126)
- → Stressed coverage (page 126)
- → Net stable funding ratio (NSFR) (page 127)
- → Liquidity pool (page 127)
- → Encumbrance (page 130)
- → Interest rate risk in the banking book (page 139)
- → Operational risk (page 140)
- → Other principal risks (page 140)

b) Capital review: from the start of 'Capital Requirements Directive (CRD) IV capital base' to the end of 'Impact of IFRS 9 on CET1', excluding capital ratios and risk-weighted assets (RWA)

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.

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 (Note 8)
- → Taxation (Note 10)
- → Valuation of financial instruments held at fair value (Note 12)
- → Goodwill impairment (Note 16)
- → Provisions for liabilities and charges (Note 23)
- → Retirement benefit obligations (Note 29)
- → Investments in subsidiary undertakings, joint ventures and associates (Note 31)

IFRS and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between EU-endorsed IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards.

Comparatives

Prior period comparatives are presented on an IAS 39 – Financial Instruments: Recognition and Measurement basis (Refer to the31 December 2017 audited financial statements for the IAS 39 accounting policies). Certain comparatives have been changed to align with current year disclosures. The main changes are in respect of IFRS 9 (see below).

Amortised cost reverse repurchase agreements and other similar lending balances have been included with Loans and advances to customers and Loans and advances to banks as appropriate.

In addition, the comparatives for commitments disclosed in Note 24 Contingent liabilities and commitments have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS 9. The ageing of commitments is now based on residual rather than original maturity. The Risk profile has similarly been updated. These changes have not resulted in any amendments to the reported income statement or balance sheet of the Group.

New accounting standards adopted by the Group

IFRS 9 Financial Instruments

On 1 January 2018, the Group adopted IFRS 9 Financial Instruments, and the corresponding disclosure amendments to IFRS 7 – Financial Instruments: Disclosures. IFRS 9 has been endorsed by the EU, replaces IAS 39 and introduces; new requirements for the classification and measurement of financial instruments; the recognition and measurement of credit impairment provisions; and provides for a simplified approach to hedge accounting.

The Group has further chosen:

- → To continue to apply IAS 39 hedging requirements rather than those of IFRS 9. Hedging disclosures have, however, been updated to comply with new disclosure requirements

- → To early adopt the 'Prepayment Features with Negative Compensation (Amendments to IFRS 9)' which was effective 1 January 2019 with early adoption permitted
- → Not to restate comparative periods on the basis that it is not possible to do so without the use of hindsight

The Risk profile has been updated in accordance with the collateral and credit enhancement requirements of IFRS 7 Financial instruments: Disclosures, as amended for IFRS 9. The extent of collateral as a mitigant has been determined with reference to both the drawn and undrawn components of an exposure. Further, the collateral balances align to the expected credit loss methodology as this addresses the effects of collateral and other credit enhancements on the amounts arising from expected credit losses.

The new IFRS 9 accounting policies are stated in the Risk review, Note 8 Credit impairment and Note 12 Financial instruments.

Information on the transition from IAS 39 to IFRS 9 is stated in Note 40.

The Group's initial estimate of credit impairment provisions on adoption of IFRS 9 was $6,720 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment provisions has been revised down by $222 million to $6,498 million, and the net expected credit loss of $(1,296) million adjusted against retained earnings has similarly decreased by $222 million to $(1,074) million. The relevant IFRS 9 disclosures in the Risk review and in Note 40 Transition to IFRS 9 Financial Instruments have been re-presented accordingly.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective from 1 January 2018 and has been endorsed by the EU, and replaces IAS 18 Revenue. IFRS 15 is conceptually similar to IAS 18, but includes more granular guidance on how to recognise and measure revenue, and also introduces additional disclosure requirements. The Group performed an assessment of the new standard and concluded that the current treatment of revenue from contracts with customers is consistent with the new principles and there is no material transitional impact.

Going concern

These financial statements were approved by the Court of directors on 25 February 2019. The directors made an assessment of the Group's ability to continue as a going concern and 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.

New accounting standards in issue but not yet effective

IFRS 16 Leases

The effective date of IFRS 16 is 1 January 2019 and the standard was endorsed by the EU in November 2017. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The significant judgements in the implementation were determining if a contact contained a lease, and the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates in the respective economic environments.

The impact of IFRS 16 on the Group is primarily where the Group is a lessee in property lease contracts. The Group has elected to adopt the simplified approach of transition and will not restate comparative information. On 1 January 2019 the Group will recognise a lease liability, being the remaining lease payments including extensions options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application in the economic environment of the lease. The corresponding right-of-use asset recognised will be the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. Any difference will be recognised in retained earnings at the date of initial application. The balance sheet increase as a result of recognition of the lease liability and right-of-use asset as of 1 January 2019 will be approximately $1.4 billion. However, the actual impact may change as judgements and estimates are refined.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is effective from 1 January 2019 and has been endorsed by the EU. It clarifies the accounting for uncertainties in income taxes and is not expected to result in a material impact to the Group's financial report.

Other amendments and clarifications made to existing standards that are not yet effective are not expected to result in a material impact on the Group's financial report.

2. Segmental information

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 four geographic regions are Greater China & North Asia, 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

→ 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 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 has made a provision of $900 million for potential penalties related to previously disclosed matters, namely, the US investigation relating to historical violation of US sanctions laws and regulations, the decision notice from the FCA concerning the Group's historical financial crime controls and investigations relating to foreign exchange trading issues. Further details of these and other legal and regulatory matters can be found in Note 25 (on page 277).

The Group incurred net restructuring charges of $355 million in 2018 of which $252 million related to Principal Finance and included a $160 million loss in the fourth quarter in respect of the announced spin-out of the business and the sale of the majority of the Group's related investment portfolios to a third party. A further $155 million related to planned initiatives to reduce ongoing costs and $34 million related to the Group's ship leasing business that the Group has decided to discontinue. These gross charges were partly offset by recoveries in relation to the liquidation portfolio.

A net gain of $6 million arose following the redemption of some GBP-denominated securities. A reconciliation between underlying and statutory results is set out in the table below:

	31.12.18						
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Gains arising on repurchase of senior and subordinated liabilities $million	Net gain on businesses disposed/held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	**15,121**	**-**	**(187)**	**6**	**-**	**-**	**14,940**
Operating expenses	**(10,381)**	**(900)**	**(222)**	**-**	**-**	**-**	**(11,503)**
Operating profit/(loss) before impairment losses and taxation	**4,740**	**(900)**	**(409)**	**6**	**-**	**-**	**3,437**
Credit impairment	**(740)**	**-**	**87**	**-**	**-**	**-**	**(653)**
Other impairment	**(131)**	**-**	**(33)**	**-**	**-**	**-**	**(164)**
Profit from associates and joint ventures	**238**	**-**	**-**	**-**	**-**	**-**	**238**
Profit/(loss) before taxation	**4,107**	**(900)**	**(355)**	**6**	**-**	**-**	**2,858**

	31.12.17						
	Underlying $million	Provision for regulatory matters $million	Restructuring $million	Gains arising on repurchase of senior and subordinated liabilities $million	Net gain on businesses disposed/held for sale $million	Goodwill impairment $million	Statutory $million
Operating income	14,344	-	51	-	78	-	14,473
Operating expenses	(9,994)	-	(265)	-	-	-	(10,259)
Operating profit/(loss) before impairment losses and taxation	4,350	-	(214)	-	78	-	4,214
Credit impairment	(1,200)	-	(141)	-	-	-	(1,341)
Other impairment	(99)	-	(10)	-	-	(320)	(429)
Profit from associates and joint ventures	210	-	58	-	-	-	268
Profit/(loss) before taxation	3,261	-	(307)	-	78	(320)	2,712

Underlying performance by client segment

	31.12.18					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	**6,735**	**5,041**	**1,391**	**516**	**1,438**	**15,121**
Operating expenses	**(4,293)**	**(3,736)**	**(923)**	**(530)**	**(899)**	**(10,381)**
Operating profit/(loss) before impairment losses and taxation	**2,442**	**1,305**	**468**	**(14)**	**539**	**4,740**
Credit impairment	**(242)**	**(267)**	**(244)**	**-**	**13**	**(740)**
Other impairment	**(133)**	**(5)**	**-**	**-**	**7**	**(131)**
Profit from associates and joint ventures	**-**	**-**	**-**	**-**	**238**	**238**
Underlying profit/(loss) before taxation	**2,067**	**1,033**	**224**	**(14)**	**797**	**4,107**
Provision for regulatory matters	**(50)**	**-**	**-**	**-**	**(850)**	**(900)**
Restructuring	**(227)**	**(68)**	**(12)**	**(24)**	**(24)**	**(355)**
Gains arising on repurchase of senior and subordinated liabilities	**3**	**-**	**-**	**-**	**3**	**6**
Statutory profit/(loss) before taxation	**1,793**	**965**	**212**	**(38)**	**(74)**	**2,858**
Total assets	**306,647**	**103,780**	**31,383**	**13,673**	**234,411**	**689,894**
Of which: loans and advances to customers including FVTPL	**146,584**	**101,635**	**27,275**	**13,616**	**10,266**	**299,376**
: loans and advances to customers	**104,686**	**101,235**	**26,763**	**13,616**	**10,262**	**256,562**
: loans held at fair value through profit or loss	**41,898**	**400**	**512**	**-**	**4**	**42,814**
Total liabilities	**367,587**	**140,328**	**37,260**	**19,733**	**72,155**	**637,063**
Of which: customer accounts	**243,019**	**136,691**	**34,860**	**19,622**	**2,989**	**437,181**

	31.12.17					
	Corporate & Institutional Banking $million	Retail Banking $million	Commercial Banking $million	Private Banking $million	Central & other items $million	Total $million
Operating income	6,365	4,834	1,333	500	1,312	14,344
Operating expenses	(4,305)	(3,585)	(881)	(500)	(723)	(9,994)
Operating profit before impairment losses and taxation	2,060	1,249	452	-	589	4,350
Credit impairment	(658)	(375)	(167)	(1)	1	(1,200)
Other impairment	(98)	(1)	(3)	-	3	(99)
Profit from associates and joint ventures	-	-	-	-	210	210
Underlying profit/(loss) before taxation	1,304	873	282	(1)	803	3,261
Restructuring	(229)	(19)	(13)	(15)	(31)	(307)
Net gains on businesses disposed/held for sale	-	-	-	-	78	78
Goodwill impairment	-	-	-	-	(320)	(320)
Statutory profit/(loss) before taxation	1,075	854	269	(16)	530	2,712
Total assets	291,510	105,178	31,650	13,469	221,945	663,752
Of which: loans and advances to customers	131,736	103,013	28,108	13,351	9,343	285,551
Total liabilities	351,872	132,819	36,385	22,203	66,194	609,473
Of which: customer accounts	222,714	129,536	33,880	22,222	3,372	411,724

Underlying performance by region

	31.12.18					
	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
	$million	$million	$million	$million	$million	$million
Operating income	**6,060**	**3,952**	**2,591**	**1,672**	**846**	**15,121**
Operating expenses	**(3,805)**	**(2,686)**	**(1,804)**	**(1,443)**	**(643)**	**(10,381)**
Operating profit before impairment losses and taxation	**2,255**	**1,266**	**787**	**229**	**203**	**4,740**
Credit impairment	**(71)**	**(322)**	**(262)**	**(83)**	**(2)**	**(740)**
Other impairment	**(110)**	**6**	**-**	**17**	**(44)**	**(131)**
Profit from associates and joint ventures	**205**	**26**	**-**	**-**	**7**	**238**
Underlying profit before taxation	**2,279**	**976**	**525**	**163**	**164**	**4,107**
Provision for regulatory matters	**-**	**-**	**-**	**(50)**	**(850)**	**(900)**
Restructuring	**(106)**	**105**	**(100)**	**(8)**	**(246)**	**(355)**
Gains arising on repurchase of senior and subordinated liabilities	**-**	**-**	**-**	**3**	**3**	**6**
Statutory profit/(loss) before taxation	**2,173**	**1,081**	**425**	**108**	**(929)**	**2,858**
Total assets	**269,680**	**146,766**	**57,744**	**200,584**	**15,120**	**689,894**
Of which: loans and advances to customers including FVTPL	**130,669**	**81,905**	**29,870**	**56,932**	**-**	**299,376**
Total liabilities	**238,247**	**127,478**	**36,733**	**196,784**	**37,821**	**637,063**
Of which: customer accounts	**196,870**	**96,896**	**29,916**	**113,499**	**-**	**437,181**

	31.12.17					
	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
	$million	$million	$million	$million	$million	$million
Operating income	5,552	3,815	2,727	1,596	654	14,344
Operating expenses	(3,673)	(2,630)	(1,775)	(1,380)	(536)	(9,994)
Operating profit before impairment losses and taxation	1,879	1,185	952	216	118	4,350
Credit impairment	(141)	(653)	(300)	(107)	1	(1,200)
Other impairment	(81)	(12)	(3)	(16)	13	(99)
Profit/(loss) from associates and joint ventures	229	(22)	-	-	3	210
Underlying profit before taxation	1,886	498	649	93	135	3,261
Restructuring	35	(161)	(33)	(25)	(123)	(307)
Net gains on businesses disposed/held for sale	-	19	-	-	59	78
Goodwill impairment	-	-	-	-	(320)	(320)
Statutory profit/(loss) before taxation	1,921	356	616	68	(249)	2,712
Total assets	257,608	148,159	59,080	183,865	15,040	663,752
Of which: loans and advances to customers	126,739	82,579	29,602	46,631	-	285,551
Total liabilities	228,088	128,165	39,413	176,892	36,915	609,473
Of which: customer accounts	186,517	95,310	31,797	98,100	-	411,724

Additional segmental information (statutory)

	31.12.18					
	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items	Total
	$million	$million	$million	$million	$million	$million
Net interest income	**3,512**	**3,164**	**863**	**297**	**1,228**	**9,064**
Net fees and commission income	**1,415**	**1,579**	**284**	**192**	**(57)**	**3,413**
Other income	**1,615**	**298**	**243**	**29**	**278**	**2,463**
Operating income	**6,542**	**5,041**	**1,390**	**518**	**1,449**	**14,940**

	31.12.17					
	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items	Total
	$million	$million	$million	$million	$million	$million
Net interest income	3,260	3,006	802	286	954	8,308
Net fees and commission income	1,407	1,626	288	182	(47)	3,456
Other income	1,718	271	239	32	449	2,709
Operating income	6,385	4,903	1,329	500	1,356	14,473

	31.12.18					
	Greater China & North Asia	**ASEAN & South Asia**	**Africa & Middle East**	**Europe & Americas**	**Central & other items**	**Total**
	$million	**$million**	**$million**	**$million**	**$million**	**$million**
Net interest income	**3,352**	**2,570**	**1,495**	**690**	**957**	**9,064**
Other income	**2,702**	**1,403**	**1,097**	**991**	**(317)**	**5,876**
Operating income	**6,054**	**3,973**	**2,592**	**1,681**	**640**	**14,940**

	31.12.17					
	Greater China & North Asia	ASEAN & South Asia	Africa & Middle East	Europe & Americas	Central & other items	Total
	$million	$million	$million	$million	$million	$million
Net interest income	2,951	2,411	1,631	695	620	8,308
Other income	2,598	1,441	1,096	896	134	6,165
Operating income	5,549	3,852	2,727	1,591	754	14,473

	31.12.18							
	Hong Kong	**Korea**	**China**	**Singapore**	**India**	**UAE**	**UK**	**US**
	$million	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**
Net interest income	**1,854**	**672**	**649**	**1,049**	**646**	**365**	**291**	**243**
Other income	**1,803**	**337**	**163**	**509**	**291**	**272**	**545**	**425**
Operating income	**3,657**	**1,009**	**812**	**1,558**	**937**	**637**	**836**	**668**

	31.12.17							
	Hong Kong	Korea	China	Singapore	India	UAE	UK	US
	$million	$million	$million	$million	$million	$million	$million	$million
Net interest income	1,564	625	541	965	577	402	425	158
Other income	1,766	340	154	478	406	310	341	517
Operating income	3,330	965	695	1,443	983	712	766	675

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.

Interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income using the effective interest method, with the exception of fair value elected structured notes and structured deposits for which all gains and losses are recognised within trading income.

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.

	31.12.18 $million	31.12.17 $million
Balances at central banks	**364**	287
Loans and advances to banks	**2,292**	1,955
Loans and advances to customers	**10,550**	8,858
Listed debt securities	**1,913**	928
Unlisted debt securities	**1,226**	1,500
Other eligible bills	**849**	836
Accrued on impaired assets (discount unwind)	**91**	83
Interest income	**17,285**	14,447
Deposits by banks	**811**	891
Customer accounts	**6,112**	4,172
Debt securities in issue	**626**	376
Subordinated liabilities and other borrowed funds	**672**	700
Interest expense	**8,221**	6,139
Net interest income	**9,064**	8,308
Of which from financial instruments held at:		
Amortised cost	**12,277**	10,873
Fair value through other comprehensive income/ available-for-sale investments	**2,845**	2,657
Fair value through profit or loss	**2,163**	847
Held-to-maturity	**-**	70
Interest income	**17,285**	14,447
Of which from financial instruments held at:		
Amortised cost	**7,134**	6,013
Fair value through profit or loss	**1,087**	126
Interest expense	**8,221**	6,139
Net interest income	**9,064**	8,308

4. Net fees and commission

Accounting policy

Fees and commissions charged for services provided or received by the Group are recognised on an accrual basis when the service has been provided 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 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, Cash Management and Custody activities 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) and periodic Custody activities 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 reporting date.

Wealth Management

Commissions for bancassurance activities are recorded as they are earned. These commissions are received within a short time frame of the commission being earned.

Target-linked fees are accrued over the period in which the target is met, 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 our Retail markets there are contractual circumstances under which fees are waive, 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.

	31.12.18 $million	31.12.17 $million
Fees and commissions income	**4,062**	3,960
Fees and commissions expense	**(649)**	(504)
Net fees and commission	**3,413**	3,456

Total fee income arising from financial instruments that are not fair valued through profit or loss is $1,478 million (31 December 2017: $1,067 million) and arising from trust and other fiduciary activities of $144 million (31 December 2017: $130 million).

Total fee expense arising from financial instruments that are not fair valued through profit or loss is $143 million (31 December 2017: $74 million) and arising from trust and other fiduciary activities of $27 million (31 December 2017: $22 million).

	31.12.18					
	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items	Total
	$million	$million	$million	$million	$million	$million
Transaction Banking	**1,066**	**12**	**223**	**-**	**-**	**1,301**
Trade	**448**	**12**	**163**	**-**	**-**	**623**
Cash Management and Custody	**618**	**-**	**60**	**-**	**-**	**678**
Financial Markets	**206**	**-**	**25**	**-**	**-**	**231**
Corporate Finance	**110**	**-**	**21**	**-**	**-**	**131**
Lending and Portfolio Management	**57**	**-**	**13**	**-**	**-**	**70**
Principal Finance	**(24)**	**-**	**-**	**-**	**-**	**(24)**
Wealth Management	**-**	**1,167**	**2**	**190**	**-**	**1,359**
Retail Products	**-**	**403**	**-**	**2**	**-**	**405**
Treasury	**-**	**-**	**-**	**-**	**(22)**	**(22)**
Others	**-**	**(3)**	**-**	**-**	**(35)**	**(38)**
Net fees and commission	**1,415**	**1,579**	**284**	**192**	**(57)**	**3,413**

	31.12.17					
	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Central & other items	Total
	$million	$million	$million	$million	$million	$million
Transaction Banking	1,043	12	222	-	-	1,277
Trade	450	12	160	-	-	622
Cash Management and Custody	593	-	62	-	-	655
Financial Markets	166	-	27	-	-	193
Corporate Finance	166	-	19	-	-	185
Lending and Portfolio Management	36	-	15	-	-	51
Principal Finance	(4)	-	-	-	-	(4)
Wealth Management	-	1,171	4	180	-	1,355
Retail Products	-	440	1	2	-	443
Treasury	-	-	-	-	(20)	(20)
Others	-	3	-	-	(27)	(24)
Net fees and commission	1,407	1,626	288	182	(47)	3,456

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 $886 million (31 December 2017: $970million). The income will be earned evenly over the next 10.5 years (31 December 2017: 11.5 years).

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 included in the income statement in the period in which they arise.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

	31.12.18	31.12.17
	$million	$million
Net trading income	**1,814**	1,633
Significant items within net trading income include:		
Gains on instruments held for trading	**1,765**	1,736
Losses on financial assets mandatorily at fair value through profit or loss	**(70)**	-
Gains on financial assets designated at fair value through profit or loss	**27**	190
Gains/(losses) on financial liabilities designated at fair value through profit or loss	**30**	(202)

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/available-for-sale financial 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.

	31.12.18 $million	31.12.17 $million
Other operating income includes:		
Rental income from operating lease assets	**509**	553
Gains less losses on disposal of fair value through other comprehensive income/available for sale investments	**(31)**	235
Net gain on sale of businesses	**9**	37
Net gain on derecognition of investment in associate	**-**	64
Dividend income	**23**	44
Other	**139**	143
	649	1,076

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. Further details are disclosed in note 38 Remuneration of Directors'(pages 306).

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.

Share-based compensation: the group operates equity-settled and cash-settled share-based payment compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Further details are provided in note 30.

	31.12.18 $million	31.12.17 $million
Staff costs:		
Wages and salaries	**5,412**	5,028
Social security costs	**170**	158
Other pension costs (note 29)	**364**	356
Share-based payment costs	**163**	150
Other staff costs	**953**	1,040
	7,062	6,732

Other staff costs include redundancy expenses of $153 million (2017: $85 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

	31.12.18			31.12.17		
	Business	**Support services**	**Total**	Business	Support services	Total
At 31 December	**38,601**	**46,756**	**85,357**	40,613	45,364	85,977
Average for the year	**39,909**	**46,315**	**86,224**	41,784	44,969	86,753

Company

	31.12.18			31.12.17		
	Business	**Support services**	**Total**	Business	Support services	Total
At 31 December	**12,603**	**13,394**	**25,997**	13,679	13,500	27,179
Average for the year	**13,323**	**13,578**	**26,901**	13,788	13,385	27,173

The Company employed nil staff at 31 December 2018 (31December 2017: nil) and it incurred costs of $5 million (31 December 2017: $5 million).

Details of directors' pay and benefits and interests in shares are disclosed in note 38 Remuneration of Directors' (pages 306).

Transactions with directors, officers and other related parties are disclosed in note 35.

	31.12.18 $million	31.12.17 $million
Premises and equipment expenses:		
Rental of premises	**373**	379
Other premises and equipment costs	**378**	414
Rental of computers and equipment	**21**	17
	772	810
General administrative expenses:		
UK bank levy	**324**	220
Provision for regulatory matters	**900**	-
Other general administrative expenses	**1,633**	1,739
	2,857	1,959
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**86**	85
Equipment	**95**	85
Operating lease assets	**258**	257
	439	427
Intangibles:		
Software	**363**	320
Acquired on business combinations	**10**	11
	812	758
Total operating expenses	**11,503**	10,259

The UK bank levy is applied on the chargeable equities and liabilities on the Group's consolidated balance sheet. 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. The rate of the levy for 2018 is 0.16 per cent for chargeable short-term liabilities, with a lower rate of 0.08 per cent generally applied to chargeable equity and long-term liabilities (i.e. liabilities with a remaining maturity greater than one year). The rates will be gradually reduced over the next two years, from 1 January 2021 they will be 0.10 per cent for short-term liabilities and 0.05 per cent for long-term liabilities. In addition, the scope of the bank levy will be restricted to the balance sheet of UK operations only from that 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 and estimates in determining expected credit loss include:

- → The Group's criteria for assessing if there has been a significant increase in credit risk; and
- → Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables

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.

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 simplified 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.

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. As a practical expedient, the Group may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

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 POCI instruments) 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 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 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).

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 85);
- → 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

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawn down are also included within the stage 3 credit impairment provision 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 cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value 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 non-performing loans, i.e. Stage 3 or credit impaired exposures.

For individually significant financial assets within Stage 3, Group Special Asset Management (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 difference between the loan carrying amount and the discounted expected future cash flows will result in the stage 3 credit impairment amount. 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.

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, the resulting modification loss is recognised within credit impairment in the income statement within 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 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 loan impairment in the income statement. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised 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.

A forborne loan can only be removed from the disclosure (cured) 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

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.

	31.12.18 $million	31.12.17 $million
Net credit impairment against profit on loans and advances to banks and customers	**608**	1,344
Net credit impairment against profit or loss during the period relating to debt securities	**7**	20
Net credit impairment relating to financial guarantees and loan commitments	**38**	(23)
Credit impairment[1]	**653**	1,341

1 No material POCI assets.

9. Other impairment

Accounting policy

Refer to the below referenced notes for the relevant accounting policy

	31.12.18 $million	31.12.17 $million
Impairment of goodwill (note 16)	**-**	320
Impairment of fixed assets (note 17)	**133**	67
Impairment losses on available-for-sale equity shares[1]	**-**	16
Impairment of other intangible assets (note 16)	**46**	23
Other impairment - Other	**(15)**	3
Other impairment	**164**	109
	164	429

1 31 December 2017 equity shares impairment disclosed on an IAS 39 basis. 31 December 2018 equity shares disclosed on an IFRS 9 basis. Under IFRS 9 equity shares are either measured at FVTPL or FVOCI with fair value movements recognised accordingly.

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 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:

	31.12.18 $million	31.12.17 $million
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 19 per cent (2017: 19.25 per cent):		
Current tax charge on income for the year	**11**	-
Adjustments in respect of prior years (including double tax relief)	**49**	(21)
Foreign tax:		
Current tax charge on income for the year	**1,106**	974
Adjustments in respect of prior years	**(104)**	(14)
	1,062	939
Deferred tax:		
Origination/reversal of temporary differences	**255**	162
Adjustments in respect of prior years	**130**	27
	385	189
Tax on profits on ordinary activities	**1,447**	1,128
Effective tax rate	**50.6%**	41.6%
Tax on profits on ordinary activities excluding the impact of US Tax Reform	**1,447**	908
Effective tax rate excluding the impact of US Tax Reform	**50.6%**	33.5%

The US Tax Cuts and Jobs Act of 2017, effective 1 January 2018, reduced the US corporate tax rate from 35 per cent to 21 per cent and introduced a Base Erosion and Anti Abuse Tax. The combined impact of these changes in the tax rates reduced the 2017 US deferred tax asset, increasing the 2017 deferred tax charge by $220 million.

The tax charge for the year of $1,447 million (31 December 2017: $1,128 million) on a profit before tax of $2,858 million (31 December 2017: $2,712 million) reflects the impact of regulatory provisions and 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.

Foreign tax includes current tax of $169 million (31 December 2017: $167 million) on the profits assessable in Hong Kong.

Deferred tax includes origination or reversal of temporary differences of $17 million (31 December 2017: $5 million) provided at a rate of 16.5 per cent (31 December 2017: 16.5 per cent) on the profits assessable in Hong Kong.

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:

	31.12.18 $million	31.12.17 $million
Profit on ordinary activities before tax	**2,858**	2,712
Tax at 19 per cent (2017: 19.25 per cent)	**544**	522
Lower tax rates on overseas earnings	**(66)**	(20)
Higher tax rates on overseas earnings	**354**	284
Non-creditable withholding taxes	**158**	67
Tax free income	**(124)**	(182)
Share of associates and joint ventures	**(39)**	(45)
Non-deductible expenses	**314**	204
Provision for regulatory matters	**164**	-
Bank levy	**62**	42
Non-taxable losses on investments	**59**	1
Payments on financial instruments in reserves	**(68)**	-
Non-taxable gains on disposals of businesses	**-**	(12)
Goodwill impairment	**-**	63
US Tax Reform	**-**	220
Deferred tax not recognised	**(21)**	65
Adjustments to tax charge in respect of prior years	**75**	(8)
Other items	**35**	(73)
Tax on profit on ordinary activities	**1,447**	1,128

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.

	31.12.18			31.12.17		
	Current Tax $million	Deferred Tax $million	Total $million	Current Tax $million	Deferred Tax $million	Total $million
Tax recognised in other comprehensive income						
Fair value through other comprehensive income/ available for sale assets	**-**	**21**	**21**	1	7	8
Cash flow hedges	**-**	**(6)**	**(6)**	-	(6)	(6)
Own credit adjustment	**9**	**(45)**	**(36)**	-	14	14
Retirement benefit obligations	**-**	**6**	**6**	-	(35)	(35)
Total tax credit/(charge) recognised in equity	**9**	**(24)**	**(15)**	1	(20)	(19)

Current tax: The following are the movements in current tax during the year:

	Group		Company	
Current tax comprises:	31.12.18 $million	31.12.17 $million	31.12.18 $million	31.12.17 $million
Current tax assets	**491**	474	**373**	242
Current tax liabilities	**(351)**	(324)	**(122)**	(187)
Net current tax opening balance before transition	**140**	150	**251**	55
IFRS 9 transition	**11**	-	**1**	-
Net current tax opening balance after transition	**151**	150	**252**	55
Movements in income statement	**(1,061)**	(939)	**(439)**	(235)
Movements in other comprehensive income	**9**	1	**-**	-
Taxes paid	**742**	909	**230**	399
Other movements	**(35)**	19	**(24)**	32
Net current tax balance as at 31 December	**(194)**	140	**19**	251
Current tax assets	**492**	491	**284**	373
Current tax liabilities	**(686)**	(351)	**(265)**	(122)
Total	**(194)**	140	**19**	251

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 2018 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2018 $million
Deferred tax comprises:					
Accelerated tax depreciation	**(329)**	**2**	**(96)**	**-**	**(423)**
Impairment provisions on loans and advances	**1,207**	**(100)**	**(146)**	**-**	**961**
Tax losses carried forward	**223**	**(7)**	**(8)**	**-**	**208**
Fair value through other comprehensive income assets	**(21)**	**4**	**(1)**	**21**	**3**
Cash flow hedges	**(2)**	**1**	**-**	**(6)**	**(7)**
Own credit adjustment	**11**	**1**	**-**	**(45)**	**(33)**
Retirement benefit obligations	**38**	**(2)**	**(2)**	**6**	**40**
Share based payments	**16**	**-**	**(1)**	**-**	**15**
Other temporary differences	**(187)**	**51**	**(131)**	**-**	**(267)**
Net deferred tax assets	**956**	**(50)**	**(385)**	**(24)**	**497**

	At 1 January 2017 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2017 $million	IFRS 9 Transition $million	At 1st January 2018 $million
Deferred tax comprises:							
Accelerated tax depreciation	(292)	(11)	(26)	-	(329)	-	(329)
Impairment provisions on loans and advances	934	35	103	-	1,072	135	1,207
Tax losses carried forward	312	9	(98)	-	223	-	223
Fair value through other comprehensive income/ available for sale assets	(28)	(1)	-	7	(22)	1	(21)
Cash flow hedges	5	(1)	-	(6)	(2)	-	(2)
Own credit adjustment	-	(3)	-	14	11	-	11
Retirement benefit obligations	76	3	(6)	(35)	38	-	38
Share based payments	16	1	(1)	-	16	-	16
Other temporary differences	(59)	7	(161)	-	(213)	26	(187)
Net deferred tax assets	964	39	(189)	(20)	794	162	956

Deferred tax comprises assets and liabilities as follows:

	31.12.18			01.01.18			31.12.17		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:									
Accelerated tax depreciation	**(423)**	**7**	**(430)**	(329)	17	(346)	(329)	17	(346)
Impairment provisions on loans and advances	**961**	**938**	**23**	1,207	1,148	59	1,072	1,037	35
Tax losses carried forward	**208**	**126**	**82**	223	134	89	223	134	89
Fair value through other comprehensive income/ Available-for-sale assets	**3**	**(2)**	**5**	(21)	(7)	(14)	(22)	(8)	(14)
Cash flow hedges	**(7)**	**(12)**	**5**	(2)	(7)	5	(2)	(7)	5
Own credit adjustment	**(33)**	**(18)**	**(15)**	11	(2)	13	11	(2)	13
Retirement benefit obligations	**40**	**40**	**-**	38	38	-	38	38	-
Share based payments	**15**	**15**	**-**	16	16	-	16	16	-
Other temporary differences	**(267)**	**(47)**	**(220)**	(187)	(29)	(158)	(213)	(48)	(165)
	497	**1,047**	**(550)**	956	1,308	(352)	794	1,177	(383)

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 2018 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2018 $million
Deferred tax comprises:					
Accelerated tax depreciation	**(190)**	**4**	**(81)**	**-**	**(267)**
Impairment provisions on loans and advances	**1,007**	**(62)**	**(161)**	**-**	**784**
Tax losses carried forward	**36**	**-**	**1**	**-**	**37**
Fair value through other comprehensive income assets	**(20)**	**1**	**-**	**28**	**9**
Cash flow hedges	**(1)**	**-**	**-**	**1**	**-**
Own credit adjustment	**13**	**1**	**-**	**(29)**	**(15)**
Retirement benefit obligations	**23**	**(2)**	**4**	**(2)**	**23**
Share based payments	**-**	**-**	**-**	**-**	**-**
Other temporary differences	**(271)**	**26**	**(71)**	**-**	**(316)**
Net deferred tax assets	**597**	**(32)**	**(308)**	**(2)**	**255**

	At 1 January 2017 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2017 $million	IFRS 9 Transition $million	At 1st January 2018 $million
Deferred tax comprises:							
Accelerated tax depreciation	(151)	(13)	(26)	-	(190)	-	(190)
Impairment provisions on loans and advances	845	38	67	-	950	57	1,007
Tax losses carried forward	86	-	(50)	-	36	-	36
Fair value through other comprehensive income/ available for sale assets	(38)	(2)	-	15	(25)	5	(20)
Cash flow hedges	(1)	(1)	-	1	(1)	-	(1)
Own credit adjustment	-	-	-	13	13	-	13
Retirement benefit obligations	55	1	(5)	(28)	23	-	23
Share based payments	(3)	-	3	-	-	-	-
Other temporary differences	(103)	(14)	(169)	-	(286)	15	(271)
Net deferred tax assets	690	9	(180)	1	520	77	597

Deferred tax comprises assets and liabilities as follows:

	31.12.18			01.01.18			31.12.17		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:									
Accelerated tax depreciation	**(267)**	**4**	**(271)**	(190)	1	(191)	(190)	2	(192)
Impairment provisions on loans and advances	**784**	**781**	**3**	1,007	997	10	950	951	(1)
Tax losses carried forward	**37**	**37**	**-**	36	36	-	36	36	-
Fair value through other comprehensive income/ available-for-sale assets	**9**	**5**	**4**	(20)	(11)	(9)	(25)	(15)	(10)
Cash flow hedges	**-**	**(5)**	**5**	(1)	(6)	5	(1)	(6)	5
Own credit adjustment	**(15)**	**-**	**(15)**	13	-	13	13	-	13
Retirement benefit obligations	**23**	**23**	**-**	23	23	-	23	23	-
Share based payments	**-**	**-**	**-**	-	-	-	-	-	-
Other temporary differences	**(316)**	**(180)**	**(136)**	(271)	(199)	(72)	(286)	(211)	(75)
	255	**665**	**(410)**	597	841	(244)	520	780	(260)

At 31 December 2018, the Group has net deferred tax assets of $497 million (31 December 2017: $794 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, $208 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.

- → $80 million of the deferred tax assets relating to losses has arisen in Ireland, where there is no expiry date for unused tax losses. These losses relate to aircraft leasing and are expected to be fully utilised over the useful economical life of the assets being up to 18 years
- → $33 million of the deferred tax assets relating to losses has arisen in Korea. These losses have no expiry date, and there is a defined profit stream against which they are forecast to be utilised
- → $27 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 nine years. The tax losses expire after 20 years
- → $25 million of the deferred tax assets relating to losses has arisen in Taiwan. Management forecasts show that the losses are expected to be fully utilised over a period of one year. The tax losses expire after 10 years

The remaining deferred tax assets of $43 million relating to losses has arisen in other jurisdictions and is expected to be recovered in less than 10 years.

	Group		Company	
	31.12.18 $million	31.12.17 $million	**31.12.18 $million**	31.12.17 $million
No account has been taken of the following potential deferred tax assets/(liabilities):				
Withholding tax on unremitted earnings from overseas subsidiaries	**(281)**	(343)	**(120)**	(163)
Foreign exchange movements on investments in branches[1]	**-**	-	**-**	-
Tax losses	**1,206**	1,259	**368**	437
Held over gains on incorporation of overseas branches	**(413)**	(399)	**(413)**	(399)
Other temporary differences	**79**	47	**73**	41

1 No potential deferred tax is included for foreign exchange movements on investments in branches as any branch disposals would be covered by the Branch Profits Exemptions and would not give rise to a tax liability or asset. The amount as at 31 December 2017, previously disclosed as $339 million, has been restated to nil

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

	31.12.18		31.12.17	
	Cents per share	**$million**	Cents per share	$million
Interim dividend declared and paid during the year	**1.45**	**384** [1]	-	-

1 Of which was split between two dividends, $193 million was paid out in the first half of 2018 and $191 million in the second half of 2018

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. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years.

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.

		31.12.18 $million	31.12.17 $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	**26**	39
		79	92
Additional Tier 1 securities: $5 billion fixed rate resetting perpetual subordinated contingent convertible securities		**359**	300
		438	392

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; 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 fair value through other comprehensive income (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); and
- 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 or at FVOCI depend 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

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) → Financial Markets (selected)	→ 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.	→ 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 fair value through other comprehensive income 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.

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; and
- → 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; and
- → 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. Under a financial guarantee contract, the Group undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value, whilst financial guarantees and loan commitments issued at market rates are recorded off-balance sheet. Subsequently, these instruments are measured at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers. Refer to page 205 for expected credit loss on loan commitments and financial guarantees.

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 the 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 recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as interest income in a separate line in the profit or loss.

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.

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.

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.

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 or 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 or 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.

The Group's classification of its financial assets and liabilities is summarised in the following tables.

Group
IFRS 9

Assets	Notes	Assets at fair value: 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
Cash and balances at central banks		-	-	-	-	-	-	57,511	57,511
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		146	-	3,622	-	-	3,768	-	3,768
Loans and advances to customers[1]		1,074	-	3,854	-	-	4,928	-	4,928
Reverse repurchase agreements and other similar secured lending	15	-	-	54,769	-	-	54,769	-	54,769
Debt securities and other eligible bills		21,246	-	393	337	-	21,976	-	21,976
Equity shares		1,347	-	218	4	-	1,569	-	1,569
		23,813	-	62,856	341	-	87,010	-	87,010
Derivative financial instruments	13	46,486	504	-	-	-	46,990	-	46,990
Loans and advances to banks[1]	14	-	-	-	-	-	-	61,411	61,411
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	3,815	3,815
Loans and advances to customers[1]	14	-	-	-	-	-	-	256,562	256,562
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	3,151	3,151
Investment securities									
Debt securities and other eligible bills		-	-	-	-	116,335	116,335	9,303	125,638
Equity shares		-	-	-	-	263	263	-	263
		-	-	-	-	116,598	116,598	9,303	125,901
Other assets	19	-	-	-	-	-	-	32,666	32,666
Assets held for sale	20	-	-	280	308	-	588	129	717
Total at 31 December 2018		70,299	504	63,136	649	116,598	251,186	417,582	668,768

1 Further analysed in Risk review and Capital review (pages 53 to 174)

IFRS 9

Assets	Notes	Assets at fair value: 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
Cash and balances at central banks		-	-	-	-	-	-	58,864	58,864
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		321	-	2,545	-	-	2,866	-	2,866
Loans and advances to customers[1]		1,691	-	2,179	39	-	3,909	-	3,909
Reverse repurchase agreements and other similar secured lending	15	-	-	45,518	-	-	45,518	-	45,518
Debt securities and other eligible bills		19,318	-	474	393	-	20,185	-	20,185
Equity shares		718	-	624	493	-	1,835	-	1,835
		22,048	-	51,340	925	-	74,313	-	74,313
Derivative financial instruments		47,127	628	-	-	-	47,755	-	47,755
Loans and advances to banks[1]		-	-	-	-	-	-	62,283	62,283
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	5,101	5,101
Loans and advances to customers[1]		-	-	-	-	-	-	251,507	251,507
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	4,566	4,566
Investment securities									
Debt securities and other eligible bills		-	-	-	-	108,411	108,411	7,189	115,600
Equity shares		-	-	-	-	214	214	-	214
		-	-	-	-	108,625	108,625	7,189	115,814
Other assets		-	-	-	-	-	-	29,798	29,798
Assets held for sale		-	-	-	399	-	399	62	461
Total at 1 January 2018		69,175	628	51,340	1,324	108,625	231,092	409,703	640,795

1 Further analysed in Risk review and Capital review (pages 53 to 174)

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

Assets	Notes	Assets at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Total financial assets at fair value $million	Assets at amortised cost: Loans and receivables $million	Held-to-maturity $million	Total $million
Cash and balances at central banks		-	-	-	-	-	58,864	-	58,864
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		320	-	2,252	-	2,572	-	-	2,572
Loans and advances to customers[1]		1,689	-	1,229	-	2,918	-	-	2,918
Reverse repurchase agreements and other similar secured lending	15	454	-	458	-	912	-	-	912
Debt securities and other eligible bills		19,318	-	393	-	19,711	-	-	19,711
Equity shares		718	-	493	-	1,211	-	-	1,211
		22,499	-	4,825	-	27,324	-	-	27,324
Derivative financial instruments	13	47,127	628	-	-	47,755	-	-	47,755
Loans and advances to banks[1]	14	-	-	-	-	-	78,178	-	78,178
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	20,694	-	20,694
Loans and advances to customers[1]	14	-	-	-	-	-	282,286	-	282,286
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	33,581	-	33,581
Investment securities									
Debt securities and other eligible bills		-	-	-	109,161	109,161	2,600	4,340	116,101
Equity shares		-	-	-	834	834	-	-	834
		-	-	-	109,995	109,995	2,600	4,340	116,935
Other assets	19	-	-	-	-	-	29,798	-	29,798
Assets held for sale	20	-	-	399	-	399	62	-	461
Total at 31 December 2017		69,626	628	5,224	109,995	185,473	451,788	4,340	641,601

1 Further analysed in Risk review and Capital review (pages 53 to 174)

Group

IFRS 9

Liabilities	Notes	Liabilities at fair value: 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
Financial liabilities held at fair value through profit or loss							
Deposits by banks		**-**	**-**	**318**	**318**	**-**	**318**
Customer accounts		**-**	**-**	**6,751**	**6,751**	**-**	**6,751**
Repurchase agreements and other similar secured borrowing	15	**-**	**-**	**43,000**	**43,000**	**-**	**43,000**
Debt securities in issue	21	**-**	**-**	**7,405**	**7,405**	**-**	**7,405**
Short positions		**3,226**	**-**	**-**	**3,226**	**-**	**3,226**
		3,226	**-**	**57,474**	**60,700**	**-**	**60,700**
Derivative financial instruments	13	**46,951**	**502**	**-**	**47,453**	**-**	**47,453**
Deposits by banks		**-**	**-**	**-**	**-**	**29,715**	**29,715**
Customer accounts		**-**	**-**	**-**	**-**	**391,013**	**391,013**
Repurchase agreements and other similar secured borrowing	15	**-**	**-**	**-**	**-**	**1,401**	**1,401**
Debt securities in issue	21	**-**	**-**	**-**	**-**	**29,188**	**29,188**
Other liabilities	22	**-**	**-**	**-**	**-**	**37,935**	**37,935**
Subordinated liabilities and other borrowed funds	26	**-**	**-**	**-**	**-**	**13,245**	**13,245**
Liabilities included in disposal groups held for sale	20	**124**	**-**	**-**	**124**	**-**	**124**
Total at 31 December 2018		**50,301**	**502**	**57,474**	**108,277**	**502,497**	**610,774**

IFRS 9

Liabilities	Notes	Liabilities at fair value: 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
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	737	737	-	737
Customer accounts		-	-	5,236	5,236	-	5,236
Repurchase agreements and other similar secured borrowing	15	-	-	38,140	38,140	-	38,140
Debt securities in issue		-	-	7,023	7,023	-	7,023
Short positions		3,636	-	-	3,636	-	3,636
		3,636	-	51,136	54,772	-	54,772
Derivative financial instruments		47,320	1,051	-	48,371	-	48,371
Deposits by banks		-	-	-	-	30,945	30,945
Customer accounts		-	-	-	-	370,509	370,509
Repurchase agreements and other similar secured borrowing	15	-	-	-	-	1,639	1,639
Debt securities in issue		-	-	-	-	30,181	30,181
Other liabilities		-	-	-	-	34,845	34,845
Subordinated liabilities and other borrowed funds		-	-	-	-	15,571	15,571
Total at 1 January 2018		50,956	1,051	51,136	103,143	483,690	586,833

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

Liabilities	Notes	Liabilities at fair value: 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
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	737	737	-	737
Customer accounts		-	-	5,236	5,236	-	5,236
Debt securities in issue	21	-	-	7,023	7,023	-	7,023
Short positions		3,637	-	-	3,637	-	3,637
		3,637	-	12,996	16,633	-	16,633
Derivative financial instruments	13	47,320	1,051	-	48,371	-	48,371
Deposits by banks		-	-	-	-	30,945	30,945
Customer accounts		-	-	-	-	370,509	370,509
Repurchase agreements and other similar secured borrowing	15	-	-	-	-	39,783	39,783
Debt securities in issue	21	-	-	-	-	30,181	30,181
Other liabilities	22	-	-	-	-	34,845	34,845
Subordinated liabilities and other borrowed funds	26	-	-	-	-	15,571	15,571
Total at 31 December 2017		50,957	1,051	12,996	65,004	521,834	586,838

Company
IFRS 9

Assets	Notes	Assets at fair value: 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
Cash and balances at central banks		-	-	-	-	-	-	44,749	44,749
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		146	-	3,275	-	-	3,421	-	3,421
Loans and advances to customers[1]		827	-	982	-	-	1,809	-	1,809
Reverse repurchase agreements and other similar secured lending	15	-	-	54,413	-	-	54,413	-	54,413
Debt securities and other eligible bills		10,498	-	150	-	-	10,648	-	10,648
Equity shares		1,346	-	13	-	-	1,359	-	1,359
		12,817	-	58,833	-	-	71,650	-	71,650
Derivative financial instruments	13	46,563	367	-	-	-	46,930	-	46,930
Loans and advances to banks[1]	14	-	-	-	-	-	-	23,732	23,732
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	26	26
Loans and advances to customers[1]	14	-	-	-	-	-	-	77,282	77,282
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	1,470	1,470
Investment securities									
Debt securities and other eligible bills		-	-	-	-	54,453	54,453	9,356	63,809
Equity shares		-	-	-	-	174	174	-	174
		-	-	-	-	54,627	54,627	9,356	63,983
Other assets	19	-	-	-	-	-	-	19,069	19,069
Assets held for sale	20	1,992	-	35	-	2,873	4,900	37,012	41,912
Total at 31 December 2018		61,372	367	58,868	-	57,500	178,107	211,200	389,307

1 Further analysed in Risk review and Capital review (pages 53 to 174)

IFRS 9

Assets	Notes	Assets at fair value: 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
Cash and balances at central banks		-	-	-	-	-	-	44,951	44,951
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		321	-	2,225	-	-	2,546	-	2,546
Loans and advances to customers[1]		1,350	-	814	39	-	2,203	-	2,203
Reverse repurchase agreements and other similar secured lending	15	-	-	45,357	-	-	45,357	-	45,357
Debt securities and other eligible bills		11,803	-	280	-	-	12,083	-	12,083
Equity shares		718	-	133	-	-	851	-	851
		14,192	-	48,809	39	-	63,040	-	63,040
Derivative financial instruments		47,105	430	-	-	-	47,535	-	47,535
Loans and advances to banks[1]		-	-	-	-	-	-	31,622	31,622
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	22	22
Loans and advances to customers[1]		-	-	-	-	-	-	98,861	98,861
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	-	2,728	2,728
Investment securities									
Debt securities and other eligible bills		-	-	-	-	51,024	51,024	7,873	58,897
Equity shares		-	-	-	-	181	181	-	181
		-	-	-	-	51,205	51,205	7,873	59,078
Other assets		-	-	-	-	-	-	19,465	19,465
Assets held for sale		-	-	-	-	-	-	2	2
Total at 1 January 2018		61,297	430	48,809	39	51,205	161,780	202,774	364,554

1 Further analysed in Risk review and Capital review (pages 53 to 174)

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

Assets	Notes	Assets at fair value: Trading $million	Derivatives held for hedging $million	Designated at fair value through profit or loss $million	Available-for-sale $million	Total financial assets at fair value $million	Assets at amortised cost: Loans and receivables $million	Held-to-maturity $million	Total $million
Cash and balances at central banks		-	-	-	-	-	44,951	-	44,951
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		320	-	1,932	-	2,252	-	-	2,252
Loans and advances to customers[1]		1,350	-	656	-	2,006	-	-	2,006
Reverse repurchase agreements and other similar secured lending	15	347	-	458	-	805	-	-	805
Debt securities and other eligible bills		11,803	-	-	-	11,803	-	-	11,803
Equity shares		718	-	-	-	718	-	-	718
		14,538	-	3,046	-	17,584	-	-	17,584
Derivative financial instruments	13	47,105	430	-	-	47,535	-	-	47,535
Loans and advances to banks[1]	14	-	-	-	-	-	47,494	-	47,494
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	15,596	-	15,596
Loans and advances to customers[1]	14	-	-	-	-	-	128,371	-	128,371
of which: reverse repurchase agreements and other similar secured lending	15	-	-	-	-	-	31,707	-	31,707
Investment securities									
Debt securities and other eligible bills		-	-	-	51,339	51,339	3,518	4,340	59,197
Equity shares		-	-	-	315	315	-	-	315
		-	-	-	51,654	51,654	3,518	4,340	59,512
Other assets	19	-	-	-	-	-	19,465	-	19,465
Assets held for sale	20	-	-	-	-	-	2	-	2
Total at 31 December 2017		61,643	430	3,046	51,654	116,773	243,801	4,340	364,914

1 Further analysed in Risk review and Capital review (pages 53 to 174)

Company
IFRS 9

Liabilities	Notes	Liabilities at fair value: 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
Financial liabilities held at fair value through profit or loss							
Deposits by banks		**-**	**-**	**103**	**103**	**-**	**103**
Customer accounts		**-**	**-**	**2,313**	**2,313**	**-**	**2,313**
Repurchase agreements and other similar secured borrowing	15	**-**	**-**	**42,137**	**42,137**	**-**	**42,137**
Debt securities in issue	21	**-**	**-**	**5,036**	**5,036**	**-**	**5,036**
Short positions		**1,470**	**-**	**-**	**1,470**	**-**	**1,470**
		1,470	**-**	**49,589**	**51,059**	**-**	**51,059**
Derivative financial instruments	13	**46,261**	**407**	**-**	**46,668**	**-**	**46,668**
Deposits by banks		**-**	**-**	**-**	**-**	**22,434**	**22,434**
Customer accounts		**-**	**-**	**-**	**-**	**120,890**	**120,890**
Repurchase agreements and other similar secured borrowing	15	**-**	**-**	**-**	**-**	**434**	**434**
Debt securities in issue	21	**-**	**-**	**-**	**-**	**23,898**	**23,898**
Other liabilities	22	**-**	**-**	**-**	**-**	**21,013**	**21,013**
Subordinated liabilities and other borrowed funds	26	**-**	**-**	**-**	**-**	**12,467**	**12,467**
Liabilities included in disposal groups held for sale	20	**47**	**-**	**-**	**47**	**36,709**	**36,756**
Total at 31 December 2018		**47,778**	**407**	**49,589**	**97,774**	**237,845**	**335,619**

IFRS 9

Liabilities	Notes	Liabilities at fair value: 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
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	236	236	-	236
Customer accounts		-	-	2,211	2,211	-	2,211
Repurchase agreements and other similar secured borrowing	15	-	-	37,365	37,365	-	37,365
Debt securities in issue		-	-	4,692	4,692	-	4,692
Short positions		2,663	-	-	2,663	-	2,663
		2,663	-	44,504	47,167	-	47,167
Derivative financial instruments		46,757	779	-	47,536	-	47,536
Deposits by banks		-	-	-	-	24,348	24,348
Customer accounts		-	-	-	-	143,532	143,532
Repurchase agreements and other similar secured borrowing	15	-	-	-	-	417	417
Debt securities in issue		-	-	-	-	25,446	25,446
Other liabilities		-	-	-	-	23,104	23,104
Subordinated liabilities and other borrowed funds		-	-	-	-	14,692	14,692
Total at 1 January 2018		49,420	779	44,504	94,703	231,539	326,242

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

Liabilities	Notes	Liabilities at fair value: 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
Financial liabilities held at fair value through profit or loss							
Deposits by banks		-	-	236	236	-	236
Customer accounts		-	-	2,211	2,211	-	2,211
Debt securities in issue	21	-	-	4,692	4,692	-	4,692
Short positions		2,663	-	-	2,663	-	2,663
		2,663	-	7,139	9,802	-	9,802
Derivative financial instruments	13	46,757	779	-	47,536	-	47,536
Deposits by banks		-	-	-	-	24,348	24,348
Customer accounts		-	-	-	-	143,532	143,532
Repurchase agreements and other similar secured borrowing	15	-	-	-	-	37,786	37,786
Debt securities in issue	21	-	-	-	-	25,446	25,446
Other liabilities	22	-	-	-	-	23,104	23,104
Subordinated liabilities and other borrowed funds	26	-	-	-	-	14,692	14,692
Total at 31 December 2017		49,420	779	7,139	57,338	268,908	326,246

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 above. 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.

Group

	31.12.18					
				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	**56,643**	**(9,653)**	**46,990**	**(32,283)**	**(9,259)**	**5,448**
Reverse repurchase agreements and other similar secured lending	**65,191**	**(3,456)**	**61,735**	**-**	**(61,735)**	**-**
At 31 December 2018	**121,834**	**(13,109)**	**108,725**	**(32,283)**	**(70,994)**	**5,448**
Liabilities						
Derivative financial instruments	**57,106**	**(9,653)**	**47,453**	**(32,283)**	**(10,323)**	**4,847**
Repurchase agreements and other similar secured borrowing	**47,857**	**(3,456)**	**44,401**	**-**	**(44,401)**	**-**
At 31 December 2018	**104,963**	**(13,109)**	**91,854**	**(32,283)**	**(54,724)**	**4,847**

	31.12.17					
				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	55,343	(7,588)	47,755	(29,135)	(9,825)	8,795
Reverse repurchase agreements and other similar secured lending	61,520	(6,333)	55,187	-	(55,187)	-
At 31 December 2017	116,863	(13,921)	102,942	(29,135)	(65,012)	8,795
Liabilities						
Derivative financial instruments	55,959	(7,588)	48,371	(29,135)	(9,513)	9,723
Repurchase agreements and other similar secured borrowing	46,116	(6,333)	39,783	-	(39,783)	-
At 31 December 2017	102,075	(13,921)	88,154	(29,135)	(49,296)	9,723

Company

	31.12.18					
				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	**56,583**	**(9,653)**	**46,930**	**(34,498)**	**(8,975)**	**3,457**
Reverse repurchase agreements and other similar secured lending	**59,365**	**(3,456)**	**55,909**	**-**	**(55,909)**	**-**
At 31 December 2018	**115,948**	**(13,109)**	**102,839**	**(34,498)**	**(64,884)**	**3,457**
Liabilities						
Derivative financial instruments	**56,321**	**(9,653)**	**46,668**	**(34,498)**	**(9,903)**	**2,267**
Repurchase agreements and other similar secured borrowing	**46,027**	**(3,456)**	**42,571**	**-**	**(42,571)**	**-**
At 31 December 2018	**102,348**	**(13,109)**	**89,239**	**(34,498)**	**(52,474)**	**2,267**

	31.12.17					
				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	55,123	(7,588)	47,535	(27,629)	(9,442)	10,464
Reverse repurchase agreements and other similar secured lending	54,441	(6,333)	48,108	-	(48,108)	-
At 31 December 2017	109,564	(13,921)	95,643	(27,629)	(57,550)	10,464
Liabilities						
Derivative financial instruments	55,124	(7,588)	47,536	(27,629)	(9,258)	10,649
Repurchase agreements and other similar secured borrowing	44,119	(6,333)	37,786	-	(37,786)	-
At 31 December 2017	99,243	(13,921)	85,322	(27,629)	(47,044)	10,649

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 collateral – This 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

Loans and advances designated at fair value through profit or loss

The maximum exposure to credit risk for loans and advances to banks and customers and reverse repurchase and other similar secured lending designated at fair value through profit or loss was $nil million (1 January 2018: $39 million and 31 December 2017: $3,939 million). The net fair value gain on loans and advances to banks and customers and reverse repurchase and other similar secured lending designated at fair value through profit or loss was $nil million (1 January 2018: $nil and 31 December 2017: $23 million). Of this, $nil million (1 January 2018: $nil and 31 December 2017: $1 million) relates to changes in credit risk. The cumulative fair value loss attributable to changes in credit risk was $nil million (1 January 2018: $nil and 31 December 2017: $1 million). Further details of the Group's valuation technique is described in this note (page 229).

Financial liabilities designated at fair value through profit or loss

	31.12.18 (IFRS 9)	01.01.18 (IFRS 9)	31.12.17 (IAS 39)
	$million	$million	$million
Carrying balance aggregate fair value	**57,474**	51,136	12,996
Amount contractually obliged to repay at maturity	**57,974**	51,192	13,052
Difference between aggregate fair value and contractually obliged to repay at maturity	**(500)**	(56)	(56)
Cumulative change in fair value accredited to credit risk difference	**476**	82	82

The net fair value gain on financial liabilities designated at fair value through profit or loss was $30 million for the year (31 December 2017: net loss of $202 million). Further details of the Group's own credit adjustment (OCA) valuation technique is described later in this note.

Valuation of financial instruments

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 or, in the absence of this, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects the Group's non-performance risk. 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 risks 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. 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.

The Valuation Control function is responsible for independent price verification, oversight of fair value and prudent 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 are 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 (page 230)
- → 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 232)
- → Where the estimate 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 232)

→ **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. Therefore, once external pricing has been verified, an assessment is made of whether each security is traded with significant liquidity based on its credit rating and sector. If a security is of high credit rating and is traded in a liquid sector, it will be classified as Level 2, otherwise it will be classified as Level 3
- **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
- **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 market observable credit 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
- **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:

	31.12.18	31.12.17
	$million	$million
Bid-offer valuation adjustment	**67**	82
CVA	**196**	229
DVA	**(143)**	(66)
Model valuation adjustment	**6**	6
FVA	**60**	79
Others (including day one)	**159**	148
Total	**345**	478

→ **Bid-offer valuation adjustment:** Where market parameters are marked on a mid-market basis in the revaluation systems, 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 makes CVA adjustment 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 certain key wrong-way exposures. The Group also captures the uncertainties associated with Wrong-way risk in its Prudential Valuation Adjustments.

→ **Day one profit and 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 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

→ **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 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 life of the deal booked against the particular counterparty. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements

→ **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 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 collateralised derivatives is based on discounting the expected future cash flows at the relevant overnight indexed swap (OIS) rate after taking into consideration the terms of the underlying collateral agreement with the counterparty. 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

→ **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

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. The Group's OCA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA adjustments will reverse over time as its liabilities mature. For issued debt and structured notes designated at fair value, an OCA adjustment is determined by discounting the contractual cash flows using a yield curve adjusted for market observed secondary senior unsecured credit spreads. The OCA at 31 December 2018 is $476 million, other comprehensive income gain $394 million (31 December 2017: $82 million, other comprehensive income loss $249 million).

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 at least one input which could have a significant effect on the instrument's valuation is not based on observable market data

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

Group

IFRS 9

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	-	3,768	-	3,768
Loans and advances to customers	-	4,436	492	4,928
Reverse repurchase agreements and other similar secured lending	-	54,769	-	54,769
Debt securities and other eligible bills	8,097	13,562	317	21,976
Of which:				
Government bonds and treasury bills	6,699	6,851	-	13,550
Issued by corporates other than financial institutions	178	3,241	317	3,736
Issued by financial institutions	1,220	3,470	-	4,690
Equity shares	1,364	-	205	1,569
Derivative financial instruments	907	46,071	12	46,990
Of which:				
Foreign exchange	149	32,297	7	32,453
Interest rate	4	12,551	5	12,560
Commodity	754	882	-	1,636
Credit	-	252	-	252
Equity and stock index	-	89	-	89
Investment securities				
Debt securities and other eligible bills	67,624	48,299	412	116,335
Of which:				
Government bonds and treasury bills	52,329	17,928	412	70,669
Issued by corporates other than financial institutions	8,366	9,839	-	18,205
Issued by financial institutions	6,929	20,532	-	27,461
Equity shares	29	4	230	263
Total financial instruments at 31 December 2018[1]	78,021	170,909	1,668	250,598

Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	314	4	318
Customer accounts	-	6,751	-	6,751
Repurchase agreements and other similar secured borrowing	-	43,000	-	43,000
Debt securities in issue	-	6,966	439	7,405
Short positions	1,999	1,227	-	3,226
Derivative financial instruments	809	46,239	405	47,453
Of which:				
Foreign exchange	137	32,890	7	33,034
Interest rate	15	12,592	355	12,962
Commodity	657	452	-	1,109
Credit	-	273	8	281
Equity and stock index	-	32	35	67
Total financial instruments at 31 December 2018[1]	2,808	104,497	848	108,153

1 The above table does not includeheld for sale assets of $588 million and liabilities of $124m. These are reported in note 20 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2018.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

IFRS 9

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	-	2,795	71	2,866
Loans and advances to customers	-	3,192	717	3,909
Reverse repurchase agreements and other similar secured lending	-	45,518	-	45,518
Debt securities and other eligible bills	5,860	13,894	431	20,185
Of which:				
Government bonds and treasury bills	4,988	5,529	-	10,517
Issued by corporates other than financial institutions	171	4,085	280	4,536
Issued by financial institutions	701	4,280	151	5,132
Equity shares	1,001	-	834	1,835
Derivative financial instruments	402	47,313	40	47,755
Of which:				
Foreign exchange	97	36,128	17	36,242
Interest rate	2	10,302	7	10,311
Commodity	303	609	2	914
Credit	-	249	-	249
Equity and stock index	-	25	14	39
Investment securities				
Debt securities and other eligible bills	61,083	47,010	318	108,411
Of which:				
Government bonds and treasury bills	51,095	21,417	318	72,830
Issued by corporates other than financial institutions	5,647	7,061	-	12,708
Issued by financial institutions	4,341	18,532	-	22,873
Equity shares	59	5	150	214
Total financial instruments at 1 January 2018	68,405	159,727	2,561	230,693

Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	668	69	737
Customer accounts	-	5,236	-	5,236
Repurchase agreements and other similar secured borrowing	-	38,140	-	38,140
Debt securities in issue	-	6,581	442	7,023
Short positions	1,495	2,141	-	3,636
Derivative financial instruments	470	47,876	25	48,371
Of which:				
Foreign exchange	90	36,408	-	36,498
Interest rate	9	9,862	18	9,889
Commodity	371	590	-	961
Credit	-	871	2	873
Equity and stock index	-	145	5	150
Total financial instruments at 1 January 2018	1,965	100,642	536	103,143

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

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	-	2,501	71	2,572
Loans and advances to customers	-	2,792	126	2,918
Reverse repurchase agreements and other similar secured lending	-	912	-	912
Debt securities and other eligible bills	5,860	13,800	51	19,711
Of which:				
Government bonds and treasury bills	4,988	5,531	-	10,519
Issued by corporates other than financial institutions	171	4,017	48	4,236
Issued by financial institutions	701	4,252	3	4,956
Equity shares	725	-	486	1,211
Derivative financial instruments	402	47,313	40	47,755
Of which:				
Foreign exchange	97	36,128	17	36,242
Interest rate	2	10,302	7	10,311
Commodity	303	609	2	914
Credit	-	249	-	249
Equity and stock index	-	25	14	39
Investment securities				
Debt securities and other eligible bills	61,246	47,511	404	109,161
Of which:				
Government bonds and treasury bills	51,257	21,364	318	72,939
Issued by corporates other than financial institutions	5,648	7,590	86	13,324
Issued by financial institutions	4,341	18,557	-	22,898
Equity shares	335	5	494	834
Total financial instruments at 31 December 2017[1]	68,568	114,834	1,672	185,074

Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	668	69	737
Customer accounts	-	5,236	-	5,236
Debt securities in issue	-	6,581	442	7,023
Short positions	1,495	2,142	-	3,637
Derivative financial instruments	470	47,876	25	48,371
Of which:				
Foreign exchange	90	36,408	-	36,498
Interest rate	9	9,862	18	9,889
Commodity	371	590	-	961
Credit	-	871	2	873
Equity and stock index	-	145	5	150
Total financial instruments at 31 December 2017	1,965	62,503	536	65,004

1 The above table does not include held for sale assets of $399 million. This is reported in note 20 together with the fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2017.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during 2017.

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

Company

IFRS 9

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	-	3,421	-	3,421
Loans and advances to customers	-	1,778	31	1,809
Reverse repurchase agreements and other similar secured lending	-	54,413	-	54,413
Debt securities and other eligible bills	3,730	6,728	190	10,648
Of which:				
Government bonds and treasury bills	2,887	3,638	-	6,525
Issued by corporates other than financial institutions	174	926	190	1,290
Issued by financial institutions	669	2,164	-	2,833
Equity shares	1,357	2	-	1,359
Derivative financial instruments	892	46,024	14	46,930
Of which:				
Foreign exchange	134	31,742	9	31,885
Interest rate	4	13,070	5	13,079
Commodity	754	871	-	1,625
Credit	-	253	-	253
Equity and stock index	-	88	-	88
Investment securities				
Debt securities and other eligible bills	35,274	19,151	28	54,453
Of which:				
Government bonds and treasury bills	25,563	5,029	28	30,620
Issued by corporates other than financial institutions	6,410	5,160	-	11,570
Issued by financial institutions	3,301	8,962	-	12,263
Equity shares	27	-	147	174
Total financial instruments at 31 December 2018[1]	41,280	131,517	410	173,207
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	103	-	103
Customer accounts	-	2,313	-	2,313
Repurchase agreements and other similar secured borrowing	-	42,137	-	42,137
Debt securities in issue	-	4,710	326	5,036
Short positions	679	791	-	1,470
Derivative financial instruments	794	45,461	413	46,668
Of which:				
Foreign exchange	122	32,137	18	32,277
Interest rate	15	12,714	355	13,084
Commodity	657	449	-	1,106
Credit	-	131	8	139
Equity and stock index	-	30	32	62
Total financial instruments at 31 December 2018[1]	1,473	95,515	739	97,727

1 The above table does not include held for sale assets of $4,900 million and liabilities of $47 million. These are reported in Note 20 together with their fair value hierarchy

There were no significant changes to valuation or levelling approaches in 2018.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year.

IFRS 9

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	-	2,475	71	2,546
Loans and advances to customers	-	2,172	31	2,203
Reverse repurchase agreements and other similar secured lending	-	45,357	-	45,357
Debt securities and other eligible bills	2,723	8,970	390	12,083
Of which:				
Government bonds and treasury bills	2,521	3,107	-	5,628
Issued by corporates other than financial institutions	167	3,078	239	3,484
Issued by financial institutions	35	2,785	151	2,971
Equity shares	834	-	17	851
Derivative financial instruments	400	47,098	37	47,535
Of which:				
Foreign exchange	95	35,724	19	35,838
Interest rate	2	10,491	7	10,500
Commodity	303	603	2	908
Credit	-	254	-	254
Equity and stock index	-	26	9	35
Investment securities				
Debt securities and other eligible bills	32,139	18,857	28	51,024
Of which:				
Government bonds and treasury bills	25,122	6,937	28	32,087
Issued by corporates other than financial institutions	4,440	3,343	-	7,783
Issued by financial institutions	2,577	8,577	-	11,154
Equity shares	53	2	126	181
Total financial instruments at 1 January 2018	36,149	124,931	700	161,780

Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	236	-	236
Customer accounts	-	2,211	-	2,211
Repurchase agreements and other similar secured borrowing	-	37,365	-	37,365
Debt securities in issue	-	4,399	293	4,692
Short positions	902	1,761	-	2,663
Derivative financial instruments	466	47,035	35	47,536
Of which:				
Foreign exchange	86	35,830	-	35,916
Interest rate	9	9,826	20	9,855
Commodity	371	588	-	959
Credit	-	769	5	774
Equity and stock index	-	22	10	32
Total financial instruments at 1 January 2018	1,368	93,007	328	94,703

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

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	-	2,181	71	2,252
Loans and advances to customers	-	1,979	27	2,006
Reverse repurchase agreements and other similar secured lending	-	805	-	805
Debt securities and other eligible bills	2,723	8,931	149	11,803
Of which:				
Government bonds and treasury bills	2,521	3,106	-	5,627
Issued by corporates other than financial institutions	167	3,067	146	3,380
Issued by financial institutions	35	2,758	3	2,796
Equity shares	718	-	-	718
Derivative financial instruments	400	47,098	37	47,535
Of which:				
Foreign exchange	95	35,724	19	35,838
Interest rate	2	10,491	7	10,500
Commodity	303	603	2	908
Credit	-	254	-	254
Equity and stock index	-	26	9	35
Investment securities				
Debt securities and other eligible bills	32,300	18,933	106	51,339
Of which:				
Government bonds and treasury bills	25,283	6,937	28	32,248
Issued by corporates other than financial institutions	4,440	3,394	78	7,912
Issued by financial institutions	2,577	8,602	-	11,179
Equity shares	170	2	143	315
Total financial instruments at 31 December 2017	36,311	79,929	533	116,773
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	-	236	-	236
Customer accounts	-	2,211	-	2,211
Debt securities in issue	-	4,399	293	4,692
Short positions	902	1,761	-	2,663
Derivative financial instruments	466	47,035	35	47,536
Of which:				
Foreign exchange	86	35,830	-	35,916
Interest rate	9	9,826	20	9,855
Commodity	371	588	-	959
Credit	-	769	5	774
Equity and stock index	-	22	10	32
Total financial instruments at 31 December 2017	1,368	55,642	328	57,338

There were no significant changes to valuation or levelling approaches in 2017.
There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during 2017.

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

IFRS 9

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	$million	$million	$million	$million	$million
Assets					
Cash and balances at central banks[1]	**57,511**	**-**	**57,511**	**-**	**57,511**
Loans and advances to banks	**61,411**	**-**	**61,354**	**-**	**61,354**
of which: reverse repurchase agreements and other similar secured lending	**3,815**	**-**	**3,842**	**-**	**3,842**
Loans and advances to customers	**256,562**	**-**	**18,517**	**238,798**	**257,315**
of which: reverse repurchase agreements and other similar secured lending	**3,151**	**-**	**2,409**	**744**	**3,153**
Investment securities	**9,303**	**-**	**8,953**	**8**	**8,961**
Other assets[1]	**32,666**	**-**	**32,660**	**-**	**32,660**
Assets held for sale	**129**	**-**	**129**	**-**	**129**
At 31 December 2018	**417,582**		**179,124**	**238,806**	**417,930**
Liabilities					
Deposits by banks	**29,715**	**-**	**29,715**	**-**	**29,715**
Customer accounts	**391,013**	**-**	**391,018**	**-**	**391,018**
Repurchase agreements and other similar secured borrowing	**1,401**	**-**	**1,401**	**-**	**1,401**
Debt securities in issue	**29,188**	**-**	**29,160**	**-**	**29,160**
Subordinated liabilities and other borrowed funds	**13,245**	**7,482**	**5,682**	**-**	**13,164**
Other liabilities[1]	**37,935**	**-**	**37,934**	**-**	**37,934**
At 31 December 2018	**502,497**	**7,482**	**494,910**	**-**	**502,392**

IFRS 9

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	$million	$million	$million	$million	$million
Assets					
Cash and balances at central banks[1]	58,864	-	58,864	-	58,864
Loans and advances to banks	62,283	-	62,262	4	62,266
of which: reverse repurchase agreements and other similar secured lending	5,101	-	5,107	-	5,107
Loans and advances to customers	251,507	-	17,680	234,569	252,249
of which: reverse repurchase agreements and other similar secured lending	4,566	-	2,399	2,174	4,573
Investment securities	7,189	-	7,133	86	7,219
Other assets[1]	29,798	-	29,798	-	29,798
Assets held for sale	62	-	62	-	62
At 1 January 2018	409,703		175,799	234,659	410,458
Liabilities					
Deposits by banks	30,945	-	30,939	-	30,939
Customer accounts	370,509	-	370,489	-	370,489
Repurchase agreements and other similar secured borrowing	1,639	-	1,639	-	1,639
Debt securities in issue	30,181	-	30,178	-	30,178
Subordinated liabilities and other borrowed funds	15,571	9,768	5,822	-	15,590
Other liabilities[1]	34,845	-	34,845	-	34,845
At 1 January 2018	483,690	9,768	473,912	-	483,680

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

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	$million	$million	$million	$million	$million
Assets					
Cash and balances at central banks[1]	58,864	-	58,864	-	58,864
Loans and advances to banks	78,178	-	78,058	23	78,081
of which: reverse repurchase agreements and other similar secured lending	20,694		20,681	19	20,700
Loans and advances to customers	282,286	-	17,028	266,011	283,039
of which: reverse repurchase agreements and other similar secured lending	33,581	-	2,387	31,199	33,586
Investment securities	6,940	-	6,955	6	6,961
Other assets[1]	29,798	-	29,798	-	29,798
Assets held for sale	62	-	62	-	62
At 31 December 2017	456,128	-	190,765	266,040	456,805
Liabilities					
Deposits by banks	30,945	-	30,939	-	30,939
Customer accounts	370,509	-	370,489	-	370,489
Repurchase agreements and other similar secured borrowing	39,783	-	39,783	-	39,783
Debt securities in issue	30,181	-	30,178	-	30,178
Subordinated liabilities and other borrowed funds	15,571	9,768	5,822	-	15,590
Other liabilities[1]	34,845	-	34,845	-	34,845
At 31 December 2017	521,834	9,768	512,056	-	521,824

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

Company
IFRS 9

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	$million	$million	$million	$million	$million
Assets					
Cash and balances at central banks[1]	**44,749**	**-**	**44,749**	**-**	**44,749**
Loans and advances to banks	**23,732**	**-**	**23,732**	**-**	**23,732**
of which: reverse repurchase agreements and other similar secured lending	**26**	**-**	**26**	**-**	**26**
Loans and advances to customers	**77,282**	**-**	**15,020**	**61,999**	**77,019**
of which: reverse repurchase agreements and other similar secured lending	**1,470**	**-**	**1,470**	**-**	**1,470**
Investment securities	**9,356**	**-**	**9,016**	**-**	**9,016**
Other assets[1]	**19,069**	**-**	**19,064**	**-**	**19,064**
Assets held for sale	**37,012**	**-**	**37,012**	**-**	**37,012**
At 31 December 2018	**211,200**		**148,593**	**61,999**	**210,592**
Liabilities					
Deposits by banks	**22,434**	**-**	**22,435**	**-**	**22,435**
Customer accounts	**120,890**	**-**	**120,866**	**-**	**120,866**
Repurchase agreements and other similar secured borrowing	**434**	**-**	**434**	**-**	**434**
Debt securities in issue	**23,898**	**-**	**23,869**	**-**	**23,869**
Subordinated liabilities and other borrowed funds	**12,467**	**6,708**	**5,658**	**-**	**12,366**
Other liabilities[1]	**21,013**	**-**	**21,014**	**-**	**21,014**
At 31 December 2018	**201,136**	**6,708**	**194,276**	**-**	**200,984**

IFRS 9

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
	$million	$million	$million	$million	$million
Assets					
Cash and balances at central banks[1]	44,951	-	44,951	-	44,951
Loans and advances to banks	31,622	-	31,698	4	31,702
of which: reverse repurchase agreements and other similar secured lending	22	-	22	-	22
Loans and advances to customers	98,861	-	15,813	83,313	99,126
of which: reverse repurchase agreements and other similar secured lending	2,728	-	1,712	1,016	2,728
Investment securities	7,873	-	7,877	6	7,883
Other assets[1]	19,465	-	19,465	-	19,465
Assets held for sale	2	-	2	-	2
At 1 January 2018	202,774		119,806	83,323	203,129
Liabilities					
Deposits by banks	24,348	-	24,348	-	24,348
Customer accounts	143,532	-	143,527	-	143,527
Repurchase agreements and other similar secured borrowing	417	-	417	-	417
Debt securities in issue	25,446	-	25,443	-	25,443
Subordinated liabilities and other borrowed funds	14,692	8,966	5,645	-	14,611
Other liabilities[1]	23,104	-	23,104	-	23,104
At 1 January 2018	231,539	8,966	222,484	-	231,450

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

The table above is the representation as at 1 January 2018 of the balances after the implementation of IFRS 9.

IAS 39

		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
	$million	$million	$million	$million	$million
Assets					
Cash and balances at central banks[1]	44,951	-	44,951	-	44,951
Loans and advances to banks	47,494	-	47,472	23	47,495
of which: reverse repurchase agreements and other similar secured lending	15,596		15,576	19	15,595
Loans and advances to customers	128,371	-	14,416	114,166	128,582
of which: reverse repurchase agreements and other similar secured lending	31,707	-	1,701	30,006	31,707
Investment securities	7,858	-	7,877	6	7,883
Other assets[1]	19,465	-	19,465	-	19,465
Assets held for sale	2	-	2	-	2
At 31 December 2017	248,141	-	134,183	114,195	248,378
Liabilities					
Deposits by banks	24,348	-	24,348	-	24,348
Customer accounts	143,532	-	143,527	-	143,527
Repurchase agreements and other similar secured borrowing	37,786	-	37,786	-	37,786
Debt securities in issue	25,446	-	25,443	-	25,443
Subordinated liabilities and other borrowed funds	14,692	8,966	5,645	-	14,611
Other liabilities[1]	23,104	-	23,104	-	23,104
At 31 December 2017	268,908	8,966	259,853	-	268,819

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

Loans and advances to customers by client segment[1]

Group

IFRS 9

	31.12.18					
	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	**1,758**	**102,928**	**104,686**	**1,817**	**102,790**	**104,607**
Retail Banking	**436**	**100,799**	**101,235**	**447**	**101,810**	**102,257**
Commercial Banking	**540**	**26,223**	**26,763**	**652**	**25,989**	**26,641**
Private Banking	**135**	**13,481**	**13,616**	**134**	**13,442**	**13,576**
Central & other items	**-**	**10,262**	**10,262**	**-**	**10,234**	**10,234**
At 31 December 2018	**2,869**	**253,693**	**256,562**	**3,050**	**254,265**	**257,315**

IFRS 9

	01.01.18					
	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	2,355	96,825	99,180	3,729	95,527	99,256
Retail Banking	429	101,617	102,046	465	102,232	102,697
Commercial Banking	587	27,049	27,636	687	26,968	27,655
Private Banking	116	13,207	13,323	116	13,196	13,312
Central & other items	-	9,322	9,322	-	9,329	9,329
At 1 January 2018	3,487	248,020	251,507	4,997	247,252	252,249

IAS 39

	31.12.17					
	Carrying value			Fair value		
	Impaired $million	Not impaired $million	Total $million	Impaired $million	Not impaired $million	Total $million
Corporate & Institutional Banking	2,465	126,224	128,689	2,491	126,695	129,186
Retail Banking	420	102,593	103,013	422	102,828	103,250
Commercial Banking	596	27,296	27,892	646	27,269	27,915
Private Banking	140	13,211	13,351	140	13,202	13,342
Central & other items	-	9,341	9,341	-	9,346	9,346
At 31 December 2017	3,621	278,665	282,286	3,699	279,340	283,039

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $3,151 million and fair value $3,153 million (1 January 2018: $4,566 million and $4,573 million; 31. December 2017: $33,581 million and $33,586 million respectively)

Company

IFRS 9

	31.12.18					
	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	**1,435**	**51,713**	**53,148**	**1,437**	**51,622**	**53,059**
Retail Banking	**84**	**9,931**	**10,015**	**87**	**9,955**	**10,042**
Commercial Banking	**216**	**8,797**	**9,013**	**226**	**8,614**	**8,840**
Private Banking	**134**	**3,895**	**4,029**	**134**	**3,895**	**4,029**
Central & other items	**-**	**1,077**	**1,077**	**-**	**1,049**	**1,049**
At 31 December 2018	**1,869**	**75,413**	**77,282**	**1,884**	**75,135**	**77,019**

IFRS 9

	01.01.18					
	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	1,783	61,519	63,302	3,156	60,260	63,416
Retail Banking	92	10,377	10,469	90	10,419	10,509
Commercial Banking	288	9,660	9,948	386	9,672	10,058
Private Banking	116	8,417	8,533	116	8,419	8,535
Central & other items	-	6,609	6,609	-	6,608	6,608
At 1 January 2018	2,279	96,582	98,861	3,748	95,378	99,126

IAS 39

	31.12.17					
	Carrying value			Fair value		
	Impaired $million	Not impaired $million	Total $million	Impaired $million	Not impaired $million	Total $million
Corporate & Institutional Banking	1,869	90,696	92,565	1,862	90,778	92,640
Retail Banking	70	10,518	10,588	70	10,591	10,661
Commercial Banking	293	9,753	10,046	293	9,816	10,109
Private Banking	140	8,420	8,560	140	8,421	8,561
Central & other items	-	6,612	6,612	-	6,611	6,611
At 31 December 2017	2,372	125,999	128,371	2,365	126,217	128,582

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $1,470million and fair value $1,470 million (1 January 2018: $2,728 million and $2,728 million; 31 December 2017: $31,707 million and $31,707 million respectively)

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

	Value at 31 December 2018					
Instrument	Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	**492**	**-**	Comparable pricing/yield	Price/yield	NA	NA
			Discounted cash flows	Recovery rates	25.5% - 100%	94.7%
Debt securities	**73**	**-**	Comparable pricing/yield	Price/yield	5.4% - 6.3%	5.6%
Asset backed securities	**244**	**-**	Discounted cash flows	Price/yield	1.0% - 11%	3.4%
Deposits by banks	**-**	**4**	Discounted cash flows	Credit spreads	1.0% - 1.0%	1.0%
Debt securities in issue	**-**	**439**	Discounted cash flows	Credit spreads	0.4% - 4.0%	1.4%
			Internal pricing model	Equity correlation	4.5% - 89.5%	NA
				Equity-FX correlation	-80.0% - 80.0%	NA
Government bonds and treasury bills	**412**	**-**	Discounted cash flows	Price/yield	2.9% - 38.1%	11.2%
Derivative financial instruments of which:						
Foreign exchange	**7**	**7**	Option pricing model	Foreign exchange option implied volatility	5.2% - 5.4%	5.4%
			Discounted cash flows	Foreign exchange curves	-0.4% - 3.7%	0.4%
Interest rate	**5**	**355**	Discounted cash flows	Interest rate curves	6.4% - 16.8%	8.3%
Credit	**-**	**8**	Discounted cash flows	Credit spreads	0.3% - 3.0%	0.9%
Equity	**-**	**35**	Internal pricing model	Equity correlation	4.5% - 89.5%	N/A
				Equity-FX correlation	-80.0% - 80.0%	N/A
Equity shares (includes private equity investments)[3]	**435**	**-**	Comparable pricing/yield	EV/EBITDA multiples	9.1x	9.1x
				P/E multiples	14.5x	14.5x
				P/B multiples	0.6x - 1.0x	1.0x
				P/S multiples	NA	NA
				Liquidity discount	10% - 20%	14.7%
			Discounted cash flows	Discount rates	NA	NA
Total	**1,668**	**848**				

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 2018. 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. The shares will continue to be valued at the initial offering price until such time as a reliable means of valuing the cash flows and underlying assets is possible or additional sales are observable

Company

Instrument	Value at 31 December 2018 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	**31**	**-**	Comparable pricing/yield	Price/yield	NA	NA
			Discounted cash flows	Recovery rates	25.5% - 100%	85.4%
Debt securities	**54**	**-**	Comparable pricing/yield	Price/yield	5.4% - 6.3%	5.6%
Asset backed securities	**136**	**-**	Discounted cash flows	Price/yield	2.7% - 4.2%	3.9%
Debt securities in issue	**-**	**326**	Discounted cash flows	Credit spreads	0.4% - 0.7%	0.5%
			Internal pricing model	Equity correlation	4.5% - 89.5%	N/A
				Equity-FX correlation	-80.0% - 80.0%	N/A
Government bonds and treasury bills	**28**	**-**	Discounted cash flows	Price/yield	2.9% - 4.10%	3.5%
Derivative financial instruments of which:						
Foreign exchange	**9**	**18**	Option pricing model	Foreign exchange option implied volatility	N/A	N/A
			Discounted cash flows	Foreign exchange curves	-0.4% - 3.7%	-0.4%
Interest rate	**5**	**355**	Discounted cash flows	Interest rate curves	6.4% - 13.1%	8.2%
Credit	**-**	**8**	Discounted cash flows	Credit spreads	0.3% - 3.0%	0.9%
Equity	**-**	**32**	Internal pricing model	Equity correlation	4.5% - 89.5%	N/A
				Equity-FX correlation	-80.0% - 80.0%	N/A
Equity shares (includes private equity investments)	**147**	**-**	Comparable pricing/yield	EV/EBITDA multiples	N/A	N/A
				P/E multiples	14.5x	14.5x
				P/B multiples	1.0x	1.0x
				P/S multiples	N/A	N/A
				Liquidity discount	20%	20%
			Discounted cash flows	Discount rates	N/A	N/A
Total	**410**	**739**				

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 2018. 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

The following section describes the significant unobservable inputs identified in the valuation technique table:

- **Commodities correlation:** This refers to the correlation between two commodity underlyings over a specified time
- **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
- **EV/EBITDA ratio multiples:** This 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
- **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:** A liquidity discount is 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-Book (P/B) multiple:** This 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-Earnings (P/E) multiples:** This 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-Sales (P/S) multiple:** This 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

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 and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities and other eligible bills $million	Equity shares $million	Total $million
At 31 December 2017 - IAS 39	71	126	-	51	486	40	404	494	1,672
Transfer due to IFRS 9[1]	-	591	-	380	348	-	(86)	(344)	889
At 1 January 2018 - IFRS 9	71	717	-	431	834	40	318	150	2,561
Total gains/(losses) recognised in income statement	2	13	-	(44)	(13)	(3)	22	-	(23)
Net trading income	2	13	-	(44)	(13)	(3)	-	-	(45)
Other operating income	-	-	-	-	-	-	22	-	22
Total (losses)/gains recognised in other comprehensive income	-	-	-	-	-	-	(2)	40	38
Fair value through OCI reserve	-	-	-	-	-	-	-	41	41
Exchange difference	-	-	-	-	-	-	(2)	(1)	(3)
Purchases	-	328	55	120	28	70	445	38	1,084
Sales	-	(254)	-	(215)	(168)	(40)	-	(5)	(682)
Settlements	(71)	(261)	-	(6)	-	(14)	(210)	-	(562)
Transfers out[2]	(101)	(112)	(55)	(8)	(489)	(43)	(161)	(1)	(970)
Transfers in[3]	99	61	-	39	13	2	-	8	222
At 31 December 2018	-	492	-	317	205	12	412	230	1,668
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2018	-	(2)	-	-	(2)	(3)	-	-	(7)

1 The increase in level 3 instruments is a result of loans and debt securities that failed SPPI, with unobservable valuation inputs. Further, level 3 equity shares which were classified as available-for-sale equity under IAS 39 are now classified as fair value through profit or loss under IFRS 9.

2 Transfers out include loans and advances, reverse repurchase agreements, debt securities and other eligible bills, equity shares and derivative financial instruments where the valuation parameters became observable during the year, and were transferred to Level 1 and Level 2. Transfers out further relates to $489 million equity shares held for sale

3 Transfers in primarily relate to loans and advances, debt securities and other eligible bills, equity shares and derivative financial instruments where the valuation parameters become unobservable during the year.

	Held at fair value through profit or loss					Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Debt securities and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2017	-	179	4	743	360	199	522	2,007
Total (losses)/gains recognised in income statement	(1)	(11)	(2)	98	(4)	(15)	(8)	57
Net interest income	-	-	-	-	-	(15)	-	(15)
Net trading income	(1)	(11)	(2)	98	(4)	-	-	80
Other operating income	-	-	-	-	-	-	9	9
Impairment charge	-	-	-	-	-	-	(17)	(17)
Total gains recognised in other comprehensive income	-	-	-	-	-	7	54	61
Available-for-sale reserve	-	-	-	-	-	-	41	41
Exchange difference	-	-	-	-	-	7	13	20
Purchases	-	-	69	44	6	399	22	540
Sales	-	-	(20)	(249)	(13)	(1)	(91)	(374)
Settlements	-	-	-	-	(250)	(169)	-	(419)
Transfers out[1]	-	(72)	-	(150)	(61)	(16)	(5)	(304)
Transfers in[2]	72	30	-	-	2	-	-	104
At 31 December 2017	71	126	51	486	40	404	494	1,672
Total unrealised losses recognised in the income statement, within net interest income, relating to change in fair value of assets held at 31 December 2017	-	-	-	-	-	(15)	-	(15)
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 2017	(1)	(5)	(2)	38	(7)	-	-	23
Total unrealised losses recognised in the income statement, within impairment charges at 31 December 2017	-	-	-	-	-	-	(17)	(17)

1 Transfers out include loans and advances, debt securities, equity shares and derivative financial instruments where the valuation parameters became observable during the year, and were transferred to Level 1 and Level 2. Transfers out further relate to equity shares and debt securities held at fair value through profit or loss which are now presented under held for sale

2 Transfers in during the year primarily relate to loans and advances and derivative financial instruments where the valuation parameters become unobservable during the year

Company

	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 and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities and other eligible bills $million	Equity shares $million	Total $million
At 31 December 2017 - IAS 39	71	27	-	149	-	37	106	143	533
Transfer due to IFRS 9[1]	-	4	-	241	17	-	(78)	(17)	167
At 1 January 2018 - IFRS 9	71	31	-	390	17	37	28	126	700
Total losses recognised in income statement - net trading income	-	-	-	(40)	(1)	(3)	-	-	(44)
Purchases	-	268	55	-	-	70	161	27	581
Sales	-	(255)	-	(92)	-	(40)	-	(6)	(393)
Settlements	(71)	(61)	-	(2)	-	(13)	-	-	(147)
Transfers out[2]	-	(7)	(55)	(104)	(16)	(39)	(161)	-	(382)
Transfers in[3]	-	55	-	38	-	2	-	-	95
At 31 December 2018	-	31	-	190	-	14	28	147	410
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2018	-	-	-	-	-	(3)	-	-	(3)

1 The increase in level 3 instruments is a result of loans and debt securities that failed SPPI, with unobservable valuation inputs. Further, level 3 equity shares which were classified as available-for-sale equity under IAS 39 are now classified as fair value through profit or loss under IFRS 9.

2 Transfers out include loans and advances, reverse repurchase agreements, debt securities and other eligible bills, equity shares and derivative financial instruments where the valuation parameters became observable during the year, and were transferred to Level 1 and Level 2. Transfer out further relates to $16 million equity shares held for sale

3 Transfers in primarily relate to loans and advances, debt securities and other eligible bills and derivative financial instruments where the valuation parameters become unobservable during the year.

Company

	Held at fair value through profit or loss					Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Debt securities and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2017	-	81	106	52	317	13	123	692
Total (losses)/gains recognised in income statement	(1)	(12)	(2)	3	4	-	-	(8)
Net trading income	(1)	(12)	(2)	3	4	-	-	(8)
Impairment charge	-	-	-	-	-	-	-	-
Total gains recognised in other comprehensive income	-	-	-	-	-	-	14	14
Available-for-sale reserve	-	-	-	-	-	(1)	14	13
Exchange difference	-	-	-	-	-	1	-	1
Purchases	-	-	66	-	5	93	11	175
Sales	-	-	(20)	(55)	(8)	-	-	(83)
Settlements	-	-	-	-	(250)	-	-	(250)
Transfers out[1]	-	(72)	(1)	-	(31)	-	(5)	(109)
Transfers in[2]	72	30	-	-	-	-	-	102
At 31 December 2017	71	27	149	-	37	106	143	533
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2017	(1)	(6)	(3)	-	(3)	-	-	(13)

1 Transfers out include loans and advances, debt securities and other eligible bills, equity shares and derivative financial instruments where the valuation parameters became observable during the year, and were transferred to Level 1 and Level 2.

2 Transfers in during the year primarily relate to loans and advances where the valuation parameters become unobservable during the year

Level 3 movement tables - financial liabilities

Group

	31.12.18			
	Deposits by banks $million	**Debt securities in issue $million**	**Derivative financial instruments $million**	**Total $million**
At 1 January 2018	**69**	**442**	**25**	**536**
Total losses/(gains) recognised in income statement - net trading income	**1**	**(22)**	**30**	**9**
Issues	**4**	**167**	**439**	**610**
Settlements	**(70)**	**(148)**	**(103)**	**(321)**
Transfers out[1]	**-**	**-**	**(2)**	**(2)**
Transfers in[2]	**-**	**-**	**16**	**16**
At 31 December 2018	**4**	**439**	**405**	**848**
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31December 2018	**-**	**(5)**	**8**	**3**

	31.12.17			
	Deposits by banks	Debt securities in issue	Derivative financial instruments	Total
	$million	$million	$million	$million
At 1 January 2017	-	530	316	846
Total gains recognised in income statement - net trading income	-	(9)	(24)	(33)
Issues	79	274	1	354
Settlements	(10)	(353)	(266)	(629)
Transfers out[1]	-	-	(2)	(2)
At 31 December 2017	69	442	25	536
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2017	-	-	(17)	(17)

1 Transfers out during the year primarily relate to 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 relate to derivative financial instruments where the valuation parameters become unobservable during the year

Company

	31.12.18		
	Debt securities in issue	**Derivative financial instruments**	**Total**
	$million	**$million**	**$million**
At 1 January 2018	**293**	**35**	**328**
Total (gains)/lossess recognised in income statement - net trading income	**(12)**	**26**	**14**
Issues	**167**	**436**	**603**
Settlements	**(122)**	**(100)**	**(222)**
Transfers in[1]	**-**	**16**	**16**
At 31 December 2018	**326**	**413**	**739**
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31December 2018	**(5)**	**7**	**2**

	31.12.17		
	Debt securities in issue	Derivative financial instruments	Total
	$million	$million	$million
At 1 January 2017	312	323	635
Total gains recognised in income statement - net trading income	(2)	(15)	(17)
Issues	117	1	118
Settlements	(134)	(274)	(408)
At 31 December 2017	293	35	328
Total unrealised losses/(gains) recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2017	5	(10)	(5)

1 Transfers in primarily relate to derivative financial instruments where the valuation parameters became observable during the year and were transferred to Level 2 financial liabilities

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 analyses performed on a set of reference prices based on the composition of our Level 3 assets. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This 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/Available-for-sale		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Debt securities and other eligible bills	**317**	**339**	**295**	**412**	**415**	**409**
Equity shares	**205**	**226**	**185**	**230**	**253**	**207**
Loans and advances	**492**	**498**	**481**	**-**	**-**	**-**
Derivative financial instruments	**(393)**	**(376)**	**(410)**	**-**	**-**	**-**
Deposits by banks	**(4)**	**(4)**	**(4)**	**-**	**-**	**-**
Debt securities in issue	**(439)**	**(417)**	**(461)**	**-**	**-**	**-**
At 31 December 2018	**178**	**266**	**86**	**642**	**668**	**616**
Financial instruments held at fair value						
Debt securities and other eligible bills	51	56	46	404	415	393
Equity shares	486	534	437	494	543	445
Loans and advances	197	201	194	-	-	-
Derivative financial instruments	15	17	12	-	-	-
Deposits by banks	(69)	(68)	(70)	-	-	-
Debt securities in issue	(442)	(434)	(450)	-	-	-
At 31 December 2017	238	306	169	898	958	838

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	31.12.18 $million	31.12.17 $million
Held at fair value through profit or loss	Possible increase	**88**	68
	Possible decrease	**(92)**	(69)
Fair value through other comprehensive income/ Available-for-sale	Possible increase	**26**	60
	Possible decrease	**(26)**	(60)

Company

	Held at fair value through profit or loss			Fair value through other comprehensive income/Available-for-sale		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Debt securities and other eligible bills	**190**	**200**	**180**	**28**	**28**	**28**
Equity shares	**-**	**-**	**-**	**147**	**162**	**132**
Loans and advances	**31**	**33**	**28**	**-**	**-**	**-**
Derivative financial instruments	**(399)**	**(382)**	**(416)**	**-**	**-**	**-**
Deposits by banks	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities in issue	**(326)**	**(308)**	**(343)**	**-**	**-**	**-**
At 31 December 2018	**(504)**	**(457)**	**(551)**	**175**	**190**	**160**
Financial instruments held at fair value						
Debt securities and other eligible bills	149	164	134	106	114	98
Equity shares	-	-	-	143	158	128
Loans and advances	98	100	97	-	-	-
Derivative financial instruments	2	2	2	-	-	-
Deposits by banks	-	-	-	-	-	-
Debt securities in issue	(293)	(291)	(295)	-	-	-
At 31 December 2017	(44)	(25)	(62)	249	272	226

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	**31.12.18 $million**	31.12.17 $million
Held at fair value through profit or loss	Possible increase	**47**	19
	Possible decrease	**(47)**	(18)
Fair value through other comprehensive income/ Available-for-sale	Possible increase	**15**	23
	Possible decrease	**(15)**	(23)

13. Derivative financial instruments

Accounting policy

Accounting for derivatives: 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.

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.

Group

	31.12.18			31.12.17		
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	**2,080,344**	**16,460**	**17,266**	1,825,798	18,924	19,695
Currency swaps and options	**849,795**	**15,993**	**15,768**	732,059 [1]	17,318	16,803
Exchange traded futures and options	**-**	**-**	**-**	100	-	-
	2,930,139	**32,453**	**33,034**	2,557,957	36,242	36,498
Interest rate derivative contracts:						
Swaps	**3,704,836**	**11,115**	**11,340**	2,843,005	8,840	8,425
Forward rate agreements and options	**489,943**	**1,324**	**1,511**	153,697	1,351	1,364
Exchange traded futures and options	**775,518**	**121**	**111**	637,883	120	100
	4,970,297	**12,560**	**12,962**	3,634,585	10,311	9,889
Credit derivative contracts	**39,343**	**252**	**281**	34,772	249	873
Equity and stock index options	**2,960**	**89**	**67**	2,520	39	150
Commodity derivative contracts	**69,601**	**1,636**	**1,109**	74,133	914	961
Total derivatives	**8,012,340**	**46,990**	**47,453**	6,303,967	47,755	48,371

1 Currency swaps and options were previously reported on a gross basis. In line with industry practice, these are now reported on a single leg basis. Prior year comparatives have been re-presented accordingly

Company

Derivatives	31.12.18 Notional principal amounts $million	31.12.18 Assets $million	31.12.18 Liabilities $million	31.12.17 Notional principal amounts $million	31.12.17 Assets $million	31.12.17 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**2,252,664**	**16,488**	**17,117**	1,993,404	19,071	19,897
Currency swaps and options	**789,405**	**15,397**	**15,160**	706,923 [1]	16,767	16,019
	3,042,069	**31,885**	**32,277**	2,700,327	35,838	35,916
Interest rate derivative contracts:						
Swaps	**3,648,610**	**11,398**	**11,484**	2,783,157	8,784	8,408
Forward rate agreements and options	**481,647**	**1,560**	**1,489**	150,125	1,596	1,347
Exchange traded futures and options	**774,044**	**121**	**111**	637,636	120	100
	4,904,301	**13,079**	**13,084**	3,570,918	10,500	9,855
Credit derivative contracts	**38,273**	**253**	**139**	34,917	254	774
Equity and stock index options	**2,947**	**88**	**62**	2,095	35	32
Commodity derivative contracts	**69,555**	**1,625**	**1,106**	74,042	908	959
Total derivatives	**8,057,145**	**46,930**	**46,668**	6,382,299	47,535	47,536

1 Currency swaps and options were previously reported on a gross basis. In line with industry practice, these are now reported on a single leg basis. Prior year comparatives have been re-presented accordingly

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 Derivatives and Hedging sections of the Risk review and Capital review (page 100) explain the Group's risk management of derivative contracts and application of hedging.

Derivatives held for hedging

Hedge accounting: The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge)

b) Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge)

c) Hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group 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 various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Expected effectiveness should be close to 100 per cent and actual results of the hedge using regression analysis are expected to be within a range of 80-125 per cent.

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment. Where these economic hedges use derivatives to offset risk, the derivatives are fair valued, with fair value changes recognised in profit or loss.

Fair value hedge: Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, within 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 period to maturity or derecognition.

The Groups approach to managing market risk, including interest rate and currency risk is discussed in Market risk (page 118).

Included in the table above are derivatives held for hedging purposes as follows:

Group

	31.12.18			31.12.17		
	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	**52,735**	**297**	**264**	33,440	445	39
Currency swaps	**2,099**	**30**	**124**	6,357[1]	115	640
	54,834	**327**	**388**	39,797	560	679
Derivatives designated as cash flow hedges:						
Interest rate swaps	**10,733**	**59**	**67**	13,348	43	48
Forward foreign exchange contracts	**184**	**-**	**18**	356	2	29
Currency swaps	**2,701**	**57**	**22**	2,987	23	107
	13,618	**116**	**107**	16,691	68	184
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**5,200**	**61**	**7**	3,470	-	188
Total derivatives held for hedging	**73,652**	**504**	**502**	59,958	628	1,051

Company

	31.12.18			31.12.17		
	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	**43,483**	**282**	**216**	28,066	335	32
Currency swaps	**552**	**19**	**119**	3,071[1]	93	518
	44,035	**301**	**335**	31,137	428	550
Derivatives designated as cash flow hedges:						
Interest rate swaps	**3,467**	**5**	**46**	4,586	2	41
Forward foreign exchange contracts	**184**	**-**	**18**	-	-	-
Currency swaps	**29**	**-**	**1**	-	-	-
	3,680	**5**	**65**	4,586	2	41
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**5,200**	**61**	**7**	3,470	-	188
Total derivatives held for hedging	**52,915**	**367**	**407**	39,193	430	779

1 Currency swaps and options were previously reported on a gross basis. In line with industry practice, these are now reported on a single leg basis. Prior year comparatives have been re-presented accordingly

Fair value hedges

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. These include fixed rate issued notes, loans and advances to customer and debt securities and other eligible bills.

For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit or loss. All qualifying hedges were effective. Included in net losses and net gains below is an adjustment in respect of hedge ineffectiveness. The main source of hedge ineffectiveness is due to basis risk on hedged currencies.

At 31 December 2018 the Group held the following interest rate swaps as hedging instruments in fair value hedges of interest risk.

Group

Maturity of hedging instruments

Risk category	31.12.18				
	Less than one month $million	More than one month and less than one year $million	One to five years $million	More than five years $million	Total $million
Interest rate and currency risk					
Hedge of issued notes					
Notional amount of issued notes	-	160	5,844	2,654	8,658
Hedge of loans and advances, debt securities and other bills					
Notional of loans and advances	-	489	1,206	62	1,757
Notional of debt securities and other eligible bills	322	14,494	28,744	859	44,419
Total derivaties designated as fair value hedges	322	15,143	35,794	3,575	54,834

Effects on hedge accounting on financial position and performance

Hedging Instruments and ineffectiveness

	31.12.18				
		Carrying Amount		Change in fair value used to calculate hedge ineffectiveness	Ineffectiveness recognised in profit or loss
Interest rate and currency risk	Notional $million	Asset $million	Liability $million	$million	$million
Interest rate swaps – issued notes	8,172	261	-	(12)	2
Cross currency swaps – subordinated notes issued	486	-	120	(43)	-
Interest rate swaps – loans and advances	309	1	2	(2)	-
Cross currency swaps – loans and advances	1,448	3	6	(4)	-
Interest rate swaps – debt securities and other eligible bills	42,805	32	256	(164)	(3)
Cross currency swaps – debt securities and other eligible bills	1,614	30	4	14	1
Total interest and currency risk derivatives	54,834	327	388	(211)	-

Hedged Items

	31.12.18					
	Carrying Amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in the value used for calculating hedge ineffectiveness	Accumulated amortising amount of fair value hedge adjustments no longer designated as hedges
	Asset $million	Liability $million	Asset $million	Liability $million	$million	$million
Issued notes	-	8,812	-	(89)	57	-
Debt securities and other eligible bills	44,273	-	131	-	149	37
Loans and advances to customers	1,759	-	3	-	6	7
Total assets and liabilities being hedged in fair value hedges	46,032	8,812	134	(89)	212	44

Net trading income impact

	31.12.18 $million	31.12.17 $million
Net losses on hedging instruments	(135)	(71)
Net gains on hedged items [1]	132	61

1 Includes amortisation of fair value adjustments in respect of hedges no longer qualifying for hedge accounting

Company

Maturity of hedging instruments

Risk category	31.12.18				
	Less than one month $million	More than one month and less than one year $million	One to five years $million	More than five years $million	Total $million
Interest rate and currency risk					
Hedge of issued notes					
Notional amount of issued notes	-	130	5,094	2,654	7,878
Hedge of loans and advances, debt securities and other bills					
Notional of loans and advances	-	350	540	-	890
Notional of debt securities and other eligible bills	322	10,597	23,494	854	35,267
Total derivaties designated as fair value hedges	322	11,077	29,128	3,508	44,035

Effects on hedge accounting on financial position and performance

Hedging Instruments and ineffectiveness

	31.12.18				
		Carrying Amount		Change in fair value used to calculate hedge ineffectiveness	Ineffectiveness recognised in profit or loss
Interest rate and currency risk	Notional $million	Asset $million	Liability $million	$million	$million
Interest rate swaps – issued notes	7,422	255	-	3	2
Cross currency swaps – subordinated notes issued	457	-	119	(42)	-
Interest rate swaps – loans and advances	57	1	-	-	-
Cross currency swaps – loans and advances	833	-	4	1	-
Interest rate swaps – debt securities and other eligible bills	35,170	26	212	(137)	(2)
Cross currency swaps – debt securities and other eligible bills	96	19	-	8	1
Total interest and currency risk derivatives	44,035	301	335	(167)	1

Hedged Items

	31.12.18					
	Carrying Amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in the value used for calculating hedge ineffectiveness	Accumulated amortising amount of fair value hedge adjustments no longer designated as hedges
	Asset $million	Liability $million	Asset $million	Liability $million	$million	$million
Issued notes	-	7,977	-	(84)	41	-
Debt securities and other eligible bills	35,127	-	107	-	127	30
Loans and advances to customers	893	-	3	-	(1)	6
Total assets and liabilities being hedged in fair value hedges	36,020	7,977	110	(84)	167	36

Net trading income impact

	31.12.18 $million	31.12.17 $million
Net losses on hedging instruments	(89)	(57)
Net gains on hedged items [1]	88	48

1 Includes amortisation of fair value adjustments in respect of hedges no longer qualifying for hedge accounting

Cash flow hedges

The Group uses 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.

Gains and losses arising on the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit or loss, at which time the gains or losses are transferred to profit or loss.

Group

Hedging instruments and ineffectiveness

	31.12.18						
		Carrying Amount		Change in fair value used to calculate hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from reserves to income
	Notional $million	Asset $million	Liability $million	$million	$million	$million	$million
Interest rate risk							
Interest rate swaps	10,733	59	67	17	17	-	(1)
Currency risk							
Forward foreign exchange contract	184	-	18	9	9	-	-
Cross currency swaps	2,701	57	22	57	57	-	8
Total derivaties designated as cash flow hedges	13,618	116	107	83	83	-	7

Hedged items

	31.12.18		
	Change in the value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $million
Customer accounts	(66)	18	33
Debt securities and other eligible bills	(9)	(3)	(1)
Loans and advances to customers	(9)	(39)	(12)
Total change in assets and liabilities designated in cash flow hedges	(84)	(24)	20

Imapct on profit and loss and other comprehensive income

	31.12.18 $million	31.12.17 $million
Losses reclassified from reserves to income statement	(7)	(11)
Losses recognised in operating costs	-	(4)
Gains recognised in other comprehensive income	34	35

The Group has hedged the following cash flows which are expected to impact the income statement in the following years:

	31.12.18						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	78	30	25	11	2	-	146
Forecast payable cash flows	(199)	(76)	(60)	(57)	(43)	(125)	(560)
Total expected cash flows by maturity	(121)	(46)	(35)	(46)	(41)	(125)	(414)

	31.12.17						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	122	40	30	22	8	-	222
Forecast payable cash flows	(97)	(83)	(51)	(49)	(48)	(134)	(462)
Total expected cash flows by maturity	25	(43)	(21)	(27)	(40)	(134)	(240)

Company

Hedging instruments and ineffectiveness

	31.12.18						
		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
Interest rate risk							
Interest rate swaps	3,467	5	46	3	3	-	(5)
Currency risk							
Forward foreign exchange contract	184	-	18	9	9	-	-
Cross currency swaps	29	-	1	-	-	-	-
Total derivaties designated as cash flow hedges	3,680	5	65	12	12	-	(5)

Hedged items

	31.12.18		
	Change in the value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $million
Customer accounts	(4)	4	-
Debt securities and other eligible bills	(9)	(2)	-
Loans and advances to customers	1	(43)	(3)
Total change in assets and liabilities designated in cash flow hedges	(12)	(41)	(3)

Imapct on profit and loss and other comprehensive income

	31.12.18 $million	31.12.17 $million
Losses reclassified from reserves to income statement	5	(2)
Losses recognised in operating costs	-	(4)
Gains recognised in other comprehensive income	6	(2)

The Group has hedged the following cash flows which are expected to impact the income statement in the following years:

	31.12.18						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	30	29	25	11	2	-	97
Forecast payable cash flows	(33)	(7)	(7)	(7)	(6)	(7)	(67)
Total expected cash flows by maturity	(3)	22	18	4	(4)	(7)	30

	31.12.17						
	Less than one year $million	One to two years $million	Two to three years $million	Three to four years $million	Four to five years $million	Over five years $million	Total $million
Forecast receivable cash flows	27	32	30	22	8	-	119
Forecast payable cash flows	(46)	(32)	(6)	(6)	(6)	(12)	(108)
Total expected cash flows by maturity	(19)	-	24	16	2	(12)	11

Net investment hedges

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. This risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Banks functional currency, which causes the amount of the investment to vary.

The Group uses a combination of foreign exchange contracts and non-derivative financial assets to manage the variability in future exchange rates on its net investments in foreign currencies. Gains and losses arising on the effective portion of the hedges are deferred in equity until the net investment is disposed of.

Group

Hedging instruments and ineffectiveness

	31.12.18						
		Carrying Amount		Change in fair value used to calculate hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from reserves to income
	Notional $million	Asset $million	Liability $million	$million	$million	$million	$million
Derivative forward currency contracts[1]	5,200	61	7	54	54	-	-

1 These derivative forward currency contracts have a maturity of less than one year

Hedged items

	31.12.18		
	Change in the value used for calculating hedge ineffectiveness	Translation reserve	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied
	$million	$million	$million
Net investments	(54)	54	-

Impact on other comprehensive income

	31.12.18	31.12.17
	$million	$million
Gains/(losses) recognised in other comprehensive income	282	(288)

Company

Hedging instruments and ineffectiveness

	31.12.18						
		Carrying Amount					
	Notional	Asset	Liability	Change in fair value used to calculate hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from reserves to income
	$million	$million	$million	$million	$million	$million	$million
Derivative forward currency contracts[1]	5,200	61	7	54	54	-	-

1 These derivative forward currency contracts have a maturity of less than one year

Hedged items

	31.12.18		
	Change in the value used for calculating hedge ineffectiveness	Translation reserve	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied
	$million	$million	$million
Net investments	(54)	54	-

Impact on other comprehensive income

	31.12.18	31.12.17
	$million	$million
Gains recognised in other comprehensive income	37	-

14. Loans and advances to banks and customers

Accounting policy

Refer to note 12 Financial Instruments for the relevant accounting policy.

	Group		Company	
	31.12.18	31.12.17	31.12.18	31.12.17
	$million	$million	$million	$million
Loans and advances to banks	61,417	78,183	23,734	47,499
Individual impairment provision	-	(4)	-	(4)
Portfolio impairment provision	-	(1)	-	(1)
Expected credit loss	(6)	-	(2)	-
	61,411	78,178	23,732	47,494
Loans and advances to customers	261,461	287,988	80,770	132,742
Individual impairment provision	-	(5,237)	-	(4,117)
Portfolio impairment provision	-	(465)	-	(254)
Expected credit loss	(4,899)	-	(3,488)	-
	256,562	282,286	77,282	128,371
Total loans and advances to banks and customers	317,973	360,464	101,014	175,865

The Group has outstanding residential mortgage loans to Korea residents of $16.9 billion (31 December 2017: $18.5 billion) and Hong Kong residents of $27.8 billion (31 December 2017: $28.3 billion).

Analysis of loans and advances to customers by geographic region and client segments and related impairment provisions as set out within the Risk review and Capital review (pages 66 to 74).

15. Reverse repurchase and repurchase agreements including other similar secured 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.

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.

Group
Reverse repurchase agreements and other similar secured lending

	31.12.18 $million	01.01.18 $million	31.12.17 $million
Banks	**20,698**	21,257	21,259
Customers	**41,037**	33,928	33,928
	61,735	55,185	55,187
Of which:			
Fair value through profit or loss	**54,769**	45,518	912
Banks	**16,883**	16,157	565
Customers	**37,886**	29,361	347
Held at amortised cost	**6,966**	9,667	54,275
Banks	**3,815**	5,101	20,694
Customers	**3,151**	4,566	33,581

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:

	31.12.18 $million	01.01.18 $million	31.12.17 $million
Securities and collateral received (at fair value)	**84,557**	75,088	75,088
Securities and collateral which can be repledged or sold (at fair value)	**82,534**	72,982	72,982
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	**40,552**	34,018	34,018

Company
Reverse repurchase agreements and other similar secured lending

	31.12.18 $million	01.01.18 $million	31.12.17 $million
Banks	**16,748**	16,053	16,054
Customers	**39,161**	32,054	32,054
	55,909	48,107	48,108
Of which:			
Fair value through profit or loss	**54,413**	45,357	805
Banks	**16,722**	16,031	458
Customers	**37,691**	29,326	347
Held at amortised cost	**1,496**	2,750	47,303
Banks	**26**	22	15,596
Customers	**1,470**	2,728	31,707

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:

	31.12.18 $million	01.01.18 $million	31.12.17 $million
Securities and collateral received (at fair value)	**77,845**	67,908	67,908
Securities and collateral which can be repledged or sold (at fair value)	**77,844**	67,635	67,635
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	**40,459**	33,981	33,981

Group
Repurchase agreements and other similar secured borrowing

	31.12.18 $million	01.01.18 $million	31.12.17 $million
Banks	**4,984**	3,804	3,804
Customers	**39,417**	35,975	35,979
	44,401	39,779	39,783
Of which:			
Fair value through profit or loss	**43,000**	38,140	-
Banks	**4,777**	3,352	-
Customers	**38,223**	34,788	-
Held at amortised cost	**1,401**	1,639	39,783
Banks	**207**	451	3,804
Customers	**1,194**	1,188	35,979

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

	31.12.18				
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	**2,060**	**1,974**	**49**	**-**	**4,083**
Off-balance sheet					
Repledged collateral received	**-**	**-**	**-**	**40,552**	**40,552**
At 31 December 2018	**2,060**	**1,974**	**49**	**40,552**	**44,635**

	01.01.18				
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	2,178	3,618	-	-	5,796
Off-balance sheet					
Repledged collateral received	-	-	-	34,018	34,018
At 1 January 2018	2,178	3,618	-	34,018	39,814

	31.12.17				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Available for sale $million	Loans and receivables $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	2,178	3,618	-	-	5,796
Off-balance sheet					
Repledged collateral received	-	-	-	34,018	34,018
At 31 December 2017	2,178	3,618	-	34,018	39,814

Company

Repurchase agreements and other similar secured borrowing

	31.12.18	01.01.18	31.12.17
	$million	**$million**	$million
Banks	**4,661**	3,269	3,270
Customers	**37,910**	34,513	34,516
	42,571	37,782	37,786
Of which:			
Fair value through profit or loss	**42,137**	37,365	-
Banks	**4,658**	3,203	-
Customers	**37,479**	34,162	-
Held at amortised cost	**434**	417	37,786
Banks	**3**	66	3,270
Customers	**431**	351	34,516

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

	31.12.18				
	Fair value through profit or loss	**Fair value through Other Comprehensive Income**	**Amortised cost**	**Off-balance sheet**	**Total**
Collateral pledged against repurchase agreements	**$million**	**$million**	**$million**	**$million**	**$million**
On-balance sheet					
Debt securities and other eligible bills	**1,443**	**835**	**49**	**-**	**2,327**
Off-balance sheet					
Repledged collateral received	**-**	**-**	**-**	**40,459**	**40,459**
At 31 December 2018	**1,443**	**835**	**49**	**40,459**	**42,786**

	01.01.18				
	Fair value through profit or loss	Fair value through Other Comprehensive Income	Amortised cost	Off-balance sheet	Total
Collateral pledged against repurchase agreements	$million	$million	$million	$million	$million
On-balance sheet					
Debt securities and other eligible bills	1,405	2,433	-	-	3,838
Off-balance sheet					
Repledged collateral received	-	-	-	33,981	33,981
At 1 January 2018	1,405	2,433	-	33,981	37,819

	31.12.17				
	Fair value through profit or loss	Available for sale	Loans and receivables	Off-balance sheet	Total
Collateral pledged against repurchase agreements	$million	$million	$million	$million	$million
On-balance sheet					
Debt securities and other eligible bills	1,405	2,433	-	-	3,838
Off-balance sheet					
Repledged collateral received	-	-	-	33,981	33,981
At 31 December 2017	1,405	2,433	-	33,981	37,819

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 269).

Significant accounting estimates and judgements

The carrying amount of goodwill is based on the extent of judgements including the basis of assumptions and forecasts used for determining cash flows for CGUs, headroom availability, and sensitivities of the forecasts to reasonably possible changes in assumptions. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill on-balance sheet is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and 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. 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 years' time period.

Group

	31.12.18				31.12.17			
	Goodwill $million	**Acquired intangibles $million**	**Computer software $million**	**Total $million**	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	**2,794**	**515**	**2,528**	**5,837**	3,030	486	1,880	5,396
Exchange translation differences	**(104)**	**(23)**	**(67)**	**(194)**	84	38	152	274
Additions	**-**	**1**	**695**	**696**	-	-	704	704
Disposals	**-**	**-**	**-**	**-**	-	-	(2)	(2)
Impairment	**-**	**-**	**-**	**-**	(320)	-	-	(320)
Amounts written off	**-**	**-**	**(322)**	**(322)**	-	(9)	(206)	(215)
At 31 December	**2,690**	**493**	**2,834**	**6,017**	2,794	515	2,528	5,837
Provision for amortisation								
At 1 January	**-**	**453**	**873**	**1,326**	-	413	689	1,102
Exchange translation differences	**-**	**(22)**	**(21)**	**(43)**	-	35	42	77
Amortisation	**-**	**10**	**363**	**373**	-	11	320	331
Impairment charge	**-**	**-**	**46**	**46**	-	2	21	23
Disposals	**-**	**-**	**-**	**-**	-	-	(2)	(2)
Amounts written off	**-**	**-**	**(317)**	**(317)**	-	(8)	(197)	(205)
At 31 December	**-**	**441**	**944**	**1,385**	-	453	873	1,326
Net book value	**2,690**	**52**	**1,890**	**4,632**	2,794	62	1,655	4,511

At 31 December 2018, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $2,801 million (31 December 2017: $2,801 million), of which $Nil million was recognised in 31 December 2018 (31 December 2017: $320 million).

Company

	31.12.18				31.12.17			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	**978**	**45**	**2,149**	**3,172**	895	39	1,567	2,501
Exchange translation differences	**(23)**	**(6)**	**(81)**	**(110)**	2	6	97	105
Additions	**-**	**1**	**621**	**622**	-	-	653	653
Disposals	**-**	**-**	**-**	**-**	-	-	-	-
Impairment	**-**	**-**	**-**	**-**	-	-	-	-
Amounts written off	**-**	**-**	**(265)**	**(265)**	-	-	(168)	(168)
Transfers in	**-**	**-**	**-**	**-**	81	-	-	81
At 31 December	**955**	**40**	**2,424**	**3,419**	978	45	2,149	3,172
Provision for amortisation								
At 1 January	**-**	**24**	**648**	**672**	-	17	494	511
Exchange translation differences	**-**	**(3)**	**(14)**	**(17)**	-	5	29	34
Amortisation	**-**	**2**	**306**	**308**	-	2	267	269
Impairment charge	**-**	**-**	**43**	**43**	-	-	18	18
Disposals	**-**	**-**	**-**	**-**	-	-	-	-
Amounts written off	**-**	**-**	**(260)**	**(260)**	-	-	(160)	(160)
At 31 December	**-**	**23**	**723**	**746**	-	24	648	672
Net book value	**955**	**17**	**1,701**	**2,673**	978	21	1,501	2,500

Goodwill

CGU structure

In 2017 the Group realigned its CGUs in line with its management structure and goodwill has been reallocated accordingly. When considering the generation of independent cash inflows and appropriate level of management, Corporate Finance, Private Banking and Transaction Banking are managed on a global basis, while Retail Banking and Commercial Banking activities are managed on a country basis. Comparatives have been amended to reflect the new CGU's structure.

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 2022. 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

Cash Generating Unit	31.12.18 Goodwill $million	31.12.18 Pre-tax discount rate per cent	31.12.18 Long-term forecast GDP growth rates per cent	31.12.17 Goodwill $million	31.12.17 Pre-tax discount rate per cent	31.12.17 Long-term forecast GDP growth rates per cent
Country CGUs						
Greater China & North Asia	**681**			707		
Hong Kong	**192**	**13.2**	**3.0**	192	14.9	3.0
Taiwan	**489**	**13.0**	**2.1**	515	13.9	2.1
Africa & Middle East	**451**			498		
Pakistan	**190**	**22.8**	**3.4**	238	21.3	5.8
UAE	**167**	**9.0**	**3.3**	167	10.8	3.2
Others (5)[1]	**94**	**10.6-19.0**	**2.6-5.3**	93	11.5-19.6	2.0-6.1
ASEAN & South Asia	**596**			622		
India	**229**	**19.9**	**7.7**	256	18.9	7.9
Singapore	**277**	**15.9**	**2.7**	281	11.8	2.6
Others (6)[2]	**90**	**15.4-20.5**	**4.4-7**	85	15.2-19.0	4.0-7.0
Global CGUs	**962**			967		
Global Private Banking	**84**	**10.3**	**3.6**	84	10.2	3.7
Global Corporate Finance	**200**	**10.3**	**3.6**	206	10.3	3.7
Global Transaction Banking	**678**	**10.3**	**3.6**	677	10.3	3.7
	2,690			2,794		

1 Bahrain, Ghana, Jordan, Oman and Qatar

2 Bangladesh, Brunei, Indonesia, Nepal, Sri Lanka and Vietnam

The Group has performed sensitivity analysis on the key assumptions for each CGU's recoverable amount. None of the CGUs are sensitive to reasonable adverse changes in key assumptions (10 per cent fall in cash flow, 1 per cent increase in the discount rate or 1 per cent fall in GDP rates). The following CGUs are considered sensitive to the key variables and any movements up to the levels disclosed below would eliminate the current headroom.

	31.12.18 Q4 2018 Goodwill $million	Cash flow reduction per cent	Discount rate increase per cent	GDP growth rate decline per cent
Taiwan	**489**	**28%**	**3%**	**5%**
India	**229**	**34%**	**4%**	**6%**
Pakistan	**190**	**32%**	**5%**	**10%**

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:

Cash Generating Unit	31.12.18 $million	31.12.17 $million
Global CGUs		
Global Private Banking	**51**	51
Global Corporate Finance	**108**	108
Global Transaction Banking	**398**	398
Country CGU's		
India	**151**	174
Paksitan	**36**	36
Others[1]	**211**	211
	955	978

1 Bahrain, Bangladesh, Jordan, Oman, Qatar, Sri Lanka and UAE

Acquired intangibles

These primarily comprise those items recognised as part of the acquisitions of Union Bank (now amalgamated into Standard Chartered Bank (Pakistan) Limited), Hsinchu (now amalgamated into Standard Chartered Bank (Taiwan) Limited), Pembroke, American Express Bank and ABSA's custody business in Africa. Maintenance intangible assets represent the value in the difference between the contractual right under acquired leases to receive aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

The acquired intangibles are amortised over periods from four years to a maximum of 16 years. The constituents are as follows:

	Group		Company	
	31.12.18 $million	31.12.17 $million	**31.12.18 $million**	31.12.17 $million
Acquired intangibles comprise:				
Aircraft maintenance	**24**	24	**-**	-
Core deposits	**2**	2	**-**	-
Customer relationships	**19**	18	**8**	-
Licences	**7**	18	**9**	21
Net book value	**52**	62	**17**	21

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 under finance leases, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities. Finance charges payable are recognised over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Group

	31.12.18				31.12.17			
	Premises $million	Equipment $million	Operating lease assets $million	Total $million	Premises $million	Equipment $million	Operating lease assets $million	Total $million
Cost or valuation								
At 1 January	**2,216**	**767**	**5,684**	**8,667**	2,117	699	5,374	8,190
Exchange translation differences	**(80)**	**(38)**	**(10)**	**(128)**	119	31	2	152
Additions	**45**[1]	**125**[1]	**866**	**1,036**	61	104	1,603	1,768
Disposals and fully depreciated assets written off	**(92)**[2]	**(87)**[2]	**(1,113)**	**(1,292)**	(75)	(66)	(1,295)	(1,436)
Transfers to assets held for sale	**(20)**	**-**	**(122)**	**(142)**	(6)	(1)	-	(7)
As at 31 December	**2,069**	**767**	**5,305**	**8,141**	2,216	767	5,684	8,667
Depreciation								
Accumulated at 1 January	**753**	**513**	**868**	**2,134**	712	474	696	1,882
Exchange translation differences	**(26)**	**(26)**	**(8)**	**(60)**	28	21	2	51
Charge for the year	**86**	**95**	**258**	**439**	85	85	257	427
Impairment (release)/charge	**(5)**	**-**	**138**[3]	**133**	(8)	-	75	67
Attributable to assets sold, transferred or written off	**(91)**[2]	**(86)**[2]	**(271)**	**(448)**	(58)	(65)	(162)	(285)
Transfers to assets held for sale	**(12)**	**-**	**(28)**	**(40)**	(6)	(2)	-	(8)
Accumulated at 31 December	**705**	**496**	**957**	**2,158**	753	513	868	2,134
Net book amount at 31 December	**1,364**	**271**	**4,348**	**5,983**	1,463	254	4,816	6,533

1. Refer to the cash flow statement premises and equipment under the investing activities segment in page 191 $170 million (31 December 2017: $165 million) for purchase of property, plant and equipment
2. Disposals for property, plant and equipment during the period $79 million (31 December 2017: $29 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 period and the net book value disposed
3. During the year, an impairment charge of $138 million (31 December 2017: $75 million) was recognised in respect of aircraft and ships held as operating lease assets, as the ViU or current market value (CMV) of the assets was lower than the net book value

Company

	31.12.18			31.12.17		
	Premises $million	Equipment $million	Total $million	Premises $million	Equipment $million	Total $million
Cost or valuation						
At 1 January	**545**	**227**	**772**	524	218	742
Exchange translation differences	**(22)**	**(7)**	**(29)**	25	5	30
Additions	**14**[1]	**35**[1]	**49**	24	29	53
Disposals and fully depreciated assets written off	**(75)**[2]	**(37)**[2]	**(112)**	(28)	(25)	(53)
Transfers to assets held for sale	**(157)**	**(4)**	**(161)**	-	-	-
As at 31 December	**305**	**214**	**519**	545	227	772
Depreciation						
Accumulated at 1 January	**216**	**107**	**323**	201	95	296
Exchange translation differences	**(4)**	**(4)**	**(8)**	5	1	6
Charge for the year	**30**	**36**	**66**	33	35	68
Attributable to assets sold, transferred or written off	**(74)**[2]	**(37)**[2]	**(111)**	(23)	(24)	(47)
Transfers to assets held for sale	**(70)**	**(1)**	**(71)**	-	-	-
Accumulated at 31 December	**98**	**101**	**199**	216	107	323
Net book amount at 31 December	**207**	**113**	**320**	329	120	449

1. Refer to the cash flow statement premises and equipment under the investing activities segment in page 191 $49 million (31 December 2017: $53 million) for purchase of property, plant and equipment
2. Disposals for property, plant and equipment during the period $1 million (31 December 2017: $14 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 period and the net book value disposed

Operating lease assets

Assets leased to customers under operating leases consist of commercial aircraft and ships which are included within property, plant and equipment. At 31 December 2018, these assets had a net book value of $4,348 million (31 December 2017: $4,816 million).

	Group	
	31.12.18	31.12.17
	$million	$million
Within one year	**478**	501
Later than one year and not later than five years	**1,561**	1,754
After five years	**964**	1,220
	3,003	3,475

18. Operating lease commitments

Accounting policy

The leases entered into by the Group are primarily operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. The Group leases various premises under non-cancellable lease arrangements. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

If an operating lease contains a reinstatement clause, a provision will be raised for the best estimate of the expenses to be incurred at the end of the lease to reinstate the property to its original condition. This cost is amortised over the life of the lease.

Group

	31.12.18		31.12.17	
	Premises	**Equipment**	Premises	Equipment
	$million	**$million**	$million	$million
Commitments under non-cancellable operating leases expiring:				
Within one year	**266**	**2**	255	2
Later than one year and not later than five years	**498**	**1**	603	3
After five years	**140**	**-**	189	-
	904	**3**	1,047	5

During the year $288 million (31 December 2017: $340 million) was recognised as an expense in the income statement in respect of operating leases. The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2018 is $12 million (31 December 2017: $9 million).

Company

	31.12.18		31.12.17	
	Premises	**Equipment**	Premises	Equipment
	$million	**$million**	$million	$million
Commitments under non-cancellable operating leases expiring:				
Within one year	**83**	**-**	86	-
Later than one year and not later than five years	**226**	**-**	278	-
After five years	**122**	**-**	161	-
	431	**-**	525	-

During the year $49 million (31 December 2017: $94 million) was recognised as an expense in the income statement in respect of operating leases. The Group leases various premises and equipment under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The total future minimum sublease payments expected to be received under non-cancellable subleases at 31 December 2018 is $11 million (31 December 2017: $9 million).

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		Company	
	31.12.18 $million	31.12.17 $million	**31.12.18 $million**	31.12.17 $million
Financial assets held at amortised cost (note 12):				
Hong Kong SAR Government certificates of indebtedness (note 22)[1]	**5,964**	5,417	**-**	-
Cash collateral	**10,323**	9,513	**9,903**	9,258
Acceptances and endorsements	**4,923**	5,096	**2,867**	3,631
Unsettled trades and other financial assets	**11,456**	9,772	**6,299**	6,576
	32,666	29,798	**19,069**	19,465
Non-financial assets:				
Commodities[2]	**2,488**	3,263	**2,488**	3,263
Other assets	**215**	319	**74**	153
	35,369	33,380	**21,631**	22,881

1 The Hong Kong SAR Government certificates of indebtedness are subordinated to the claims of other parties in respect of bank notes issued
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, the measurement provisions for the financial instruments remain governed by 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
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 2019.

The financial assets held at fair value through profit or loss reported below are classified under Level 1 $58 million and Level 3 $530 million (31 December 2017: $399 million).

Group

Assets held for sale	**31.12.18 $million**	31.12.17 $million
Debt securities	**-**	5
Equity shares	**588**	394
Financial assets held at fair value through profit or loss[1]	**588**	399
Loans and advances to banks	**107**	-
Loans and advances to customers	**22**	2
Debt securities held at amortised cost	**-**	60
Financial assets held at amortised cost	**129**	62
Property plant and equipment[2]	**102**	14
Others	**1**	3
	820	478

1 Principal Finance assets of $588 million (31 December 2017: $213 million) , comprise of equity shares classified as fair value through profit or loss. The transaction is expected to complete by the end of 2019
2 Aircraft classified as held for sale by Pembroke Air Leasing Finance for $94 million (31December 2017: Nil) is included within property, plant and equipment

Reported below are the associated financial liabilities held for sale of the Principal Finance business amounting to $124 million (2017: Nil), all of which are classified under Level 3. The transactions are expected to complete in 2019.

Group

Liabilities held for sale	31.12.18 $million	31.12.17 $million
Derivative financial instruments	**124**	-
Financial liabilities held at fair value through profit or loss	**124**	-

Assets held for sale and associated liabilities (Company)

Standard Chartered Bank Singapore branch is currently in the process of selling certain assets and liabilities to Standard Chartered Bank (Singapore) Limited, a subsidiary of Standard Chartered Bank. For Standard Chartered Bank Company this sale has met the criteria to be classified as assets held for sale and associated liabilities and accordingly assets and liabilities of $44 billion are presented below.

The financial assets held at fair value are reported below are classified under Level 1 $2,516 million, Level 2 $2,369 million and Level 3 $15 million. The transaction is expected to complete in 2019.

Company

Assets held for sale	31.12.18 $million	31.12.17 $million
Treasury bills and other eligible bills	**451**	-
Debt securities	**4,300**	-
Equity shares	**19**	-
Loans and advances to Customers	**113**	-
Derivative financial instruments	**17**	-
Financial assets held at fair value	**4,900**	-
Cash and balances at central banks	**719**	-
Loans and advances to banks	**8,727**	-
Loans and advances to customers	**27,071**	2
Debt securities held at amortised cost	**495**	-
Financial assets held at amortised cost	**37,012**	2
Property plant and equipment	**90**	3
Interests in associates	**23**	-
Others	**1,630**	-
	43,655	5

Reported below are the associated financial liabilities held for sale at fair value amounting to $47 million (2017: Nil), all of which are classified under Level 2. The transaction is expected to complete in 2019.

Company

Liabilities held for sale	31.12.18 $million	31.12.17 $million
Derivative financial instruments	**47**	-
Financial liabilities held at fair value through profit or loss	**47**	-
Deposits by banks	**1,729**	-
Customer accounts	**34,980**	-
Financial liabilities held at amortised cost	**36,709**	-
Accruals and deferred income	**1,059**	-
Other liabilities	**5,834**	-
	43,649	-

21. Debt securities in issue

Accounting policy

Refer to note 12 Financial instruments for the relevant accounting policy.

Group

	31.12.18			31.12.17		
	Certificates of deposit of $100,000 or more	**Other debt securities in issue**	**Total**	Certificates of deposit of $100,000 or more	Other debt securities in issue	Total
	$million	**$million**	**$million**	$million	$million	$million
Debt securities in issue	**20,949**	**8,239**	**29,188**	20,460	9,721	30,181
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 12)	**-**	**7,405**	**7,405**	117	6,906	7,023
Total debt securities in issue	**20,949**	**15,644**	**36,593**	20,577	16,627	37,204

Company

	31.12.18			31.12.17		
	Certificates of deposit of $100,000 or more	**Other debt securities in issue**	**Total**	Certificates of deposit of $100,000 or more	Other debt securities in issue	Total
	$million	**$million**	**$million**	$million	$million	$million
Debt securities in issue	**18,517**	**5,381**	**23,898**	18,232	7,214	25,446
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (note 12)	**-**	**5,036**	**5,036**	-	4,692	4,692
Total debt securities in issue	**18,517**	**10,417**	**28,934**	18,232	11,906	30,138

22. Other liabilities

Accounting policy

Refer to note 12 Financial Instruments for the relevant accounting policy

	Group		Company	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	$million	$million	**$million**	$million
Financial liabilities held at amortised cost (note 12)				
Notes in circulation[1]	**5,964**	5,417	**-**	-
Acceptances and endorsements	**4,923**	5,096	**2,867**	3,631
Cash collateral	**9,259**	9,825	**8,975**	9,442
Unsettled trades and other financial liabilities	**17,789**	14,507	**9,171**	10,031
	37,935	34,845	**21,013**	23,104
Non-financial liabilities				
Other liabilities	**324**	236	**170**	179
	38,259	35,081	**21,183**	23,283

1 Hong Kong currency notes in circulation of $5,964 million (31 December 2017: $5,417 million) that are secured by the government of Hong Kong SAR certificates of indebtedness of the same amount included in other assets (note 19)

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.

Group

	31.12.18			31.12.17		
	Provision for credit commitments $million	**Other provisions $million**	**Total $million**	Provision for credit commitments $million	Other provisions $million	Total $million
At 31 December IAS 39	**83**	**96**	**179**	109	104	213
IFRS 9 expected credit loss	**176**	**-**	**176**	-	-	-
At 1 January	**259**	**96**	**355**	109	104	213
Exchange translation differences	**(9)**	**(2)**	**(11)**	(2)	1	(1)
Transfer	**-**	**39**	**39**	-	-	-
(Release)/charge against profit	**39**	**956**	**995**	(23)	79	56
Provisions utilised	**(9)**	**(39)**	**(48)**	(1)	(88)	(89)
At 31 December	**280**	**1,050**	**1,330**	83	96	179

Company

	31.12.18			31.12.17		
	Provision for credit commitments $million	**Other provisions $million**	**Total $million**	Provision for credit commitments $million	Other provisions $million	Total $million
At 31 December IAS 39	**224**	**38**	**262**	240	39	279
IFRS 9 expected credit loss	**(48)**	**-**	**(48)**	-	-	-
At 1 January	**176**	**38**	**214**	240	39	279
Exchange translation differences	**(6)**	**(2)**	**(8)**	5	-	5
Transfer	**132**	**37**	**169**	-	-	-
(Release)/charge against profit	**64**	**929**	**993**	(19)	31	12
Provisions utilised	**19**	**(12)**	**7**	(2)	(32)	(34)
At 31 December	**385**	**990**	**1,375**	224	38	262

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 consists mainly of provisions for regulatory settlements and legal claims (including provisions for potential penalties relating to the US investigation, the FCA decision and the previously disclosed foreign exchange trading issues), the nature of which are described in note 25.

24. Contingent liabilities and commitments

Accounting policy

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Where the Group undertakes to make a payment on behalf of its customers for guarantees issued such as for performance bonds or as irrevocable letters of credit as part of the Group's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs officials, for bids or offers and as shipping guarantees.

Commitments are where the Group has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees whether cancellable or not or letters of credit and the Group has not made payments at the balance sheet date, those instruments are included in these financial statement as commitments.

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 and risk-weighted 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	
	31.12.18 $million	31.12.17[1] $million	**31.12.18 $million**	31.12.17[1] $million
Contingent liabilities				
Guarantees and irrevocable letters of credit	**36,511**	31,429	**28,853**	30,847
Other contingent liabilities	**5,441**	6,210	**3,225**	5,676
	41,952	37,639	**32,078**	36,523
Commitments				
Documentary credits and short-term trade-related transactions	**3,982**	5,808	**2,685**	3,701
Undrawn formal standby facilities, credit lines and other commitments to lend				
One year and over	**71,467**	77,033	**55,203**	57,553
Less than one year	**37,041**	30,122	**19,412**	18,217
Unconditionally cancellable	**39,220**	40,823	**8,089**	8,590
	151,710	153,786	**85,389**	88,061

1 Contingent liabilities and commitments have been restated, as a result of the availability of more reliable, centralised information following the implementation of IFRS 9. The ageing of commitments is now based on residual rather than original maturity

Capital commitments

	Group	
	31.12.18 $million	31.12.17 $million
Contracted capital expenditure approved by the directors but not provided for in these accounts[1]	**450**	468

1 of which: the Group has commitments totalling $439 million to purchase aircraft for delivery in 2019 (31 December 2017: $458 million). Pre-delivery payments of $5 million have been made to date in respect of these aircraft

The Group's share of contingent liabilities and commitments relating to joint ventures is $0.2 billion (31 December 2017: $0.2 billion).

As set out in note 25, 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.

Claims and other proceedings

The Group receives legal claims against it in a number of jurisdictions and is subject to regulatory investigations and proceedings arising in the normal course of business.

Apart from the matters described below, the Group currently considers none of these 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.

2012 Settlements with certain US authorities

In 2012, the Group reached settlements with certain US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Board of Governors of the Federal Reserve System (Fed), Deferred Prosecution Agreements (DPAs) with each of the Department of Justice (DOJ) and the New York County District Attorney's Office (DANY) and a Settlement Agreement with the Office of Foreign Assets Control (together, the 'Settlements' and together the foregoing authorities, the 'US authorities'). In addition to the civil penalties totalling $667 million, the terms of these Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (Monitor).

In December 2014, the Group announced that the DOJ, DANY and the Group had agreed to a three-year extension of the DPAs, resulting in the subsequent retention of the Monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. The DPAs (and the term of the independent monitor) have been subject to subsequent extensions and currently expire on 31 March 2019.

2014 Settlement with NYDFS

In August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the AML transaction surveillance system in its New York branch (the 'Branch'). The system, which is separate from the sanctions screening process, is one part of the Group's overall financial crime controls and is designed to alert the Branch to unusual transaction patterns that require further investigation on a post-transaction basis.

The settlement provisions included a civil monetary penalty of $300 million; various remediation requirements and the appointment of the Monitor which eventually expired on 31 December 2018.

In November 2018, the Group announced it had agreed to engage an independent consultant selected by the NYDFS for up to one year with a possible extension for up to one additional year to provide guidance in connection with tasks necessary to complete the remediation contemplated by the 2012 and 2014 Consent Orders.

2019 Settlement relating to FX trading

In January 2019, the Group reached a settlement with the NYDFS regarding past control failures and improper conduct related to the Group's FX trading and sales business between 2007 and 2013. As part of this settlement the Group agreed to pay a civil monetary penalty of $40 million to the NYDFS. A provision has been made in these financial statements for the previously disclosed investigations relating to the FX trading issues including the January 2019 settlement with the NYDFS.

Investigations into legacy financial crime control issues

The Group has received a decision notice from the Regulatory Decisions Committee of the Financial Conduct Authority (FCA) relating to the previously disclosed investigation by the FCA concerning the Group's historical financial crime control issues, and is considering its options in relation to this decision notice, including the possibility of an appeal. The decision notice imposes a penalty of £102 million (net of early settlement discount) on the Group. This investigation had been focused on the effectiveness and governance of those historical financial crime controls from 2009 through 2014 within the correspondent banking business carried out by the Group's London branch, particularly in relation to the business carried on with respondent banks from outside the European Economic Area, and the effectiveness and governance of those controls in one of the Group's overseas branches and the oversight exercised at Group level over those controls.

The Group continues its discussions relating to the potential resolution of an investigation by the US authorities relating to historical violations of US sanctions laws and regulations. In contrast to the 2012 settlements, which focused on the period before the Group's 2007 decision to stop doing new business with known Iranian parties, this investigation is focused on examining the extent to which conduct and control failures permitted clients with Iranian interests to conduct transactions through Standard Chartered Bank after 2007. The vast majority of the issues under investigation pre-date 2012 and none occurred after 2014.

The resolution of the US investigation may involve a range of civil and criminal penalties including substantial monetary penalties combined with other compliance measures such as remediation requirements and/or business restrictions.

A provision has been made in these financial statements for the penalty in the FCA decision notice and potential penalties relating to the investigation by the US authorities. This provision reflects management's current view of the appropriate level of provision. Resolution of the US investigation and the FCA process might ultimately result in a different level of penalties.

Other proceedings

Since November 2014, seven lawsuits have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including Standard Chartered Bank) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq. Five of the lawsuits were filed in late December 2018. 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. The lawsuits are at an early procedural stage, with motions to dismiss pending in two of the seven lawsuits. Based on the facts currently known, it is not possible for the Group to predict the outcome of these lawsuits.

The Director of Public Prosecutions (DPP) and related agencies in Kenya are investigating Standard Chartered Kenya Limited (SCBK) and other banks in connection with the alleged theft of funds from Kenya's State Department of Public Service, Youth and Gender Affairs. This investigation follows fines being imposed on those banks, including SCBK, by the Central Bank of Kenya regarding adequacy of controls related to the processing of the allegedly stolen funds. The DPP has announced that it has received recommendations from the Kenyan Directorate of Criminal Investigations that charges should be brought against a number of banks, including SCBK, bank officials and other individuals. The Group does not know whether any charges will be brought, but there may be penalties or other financial consequences for SCBK in connection with this investigation.

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.

	31.12.18	31.12.17
	$million	$million
Subordinated loan capital – issued by subsidiary undertakings		
$750 million 5.875 per cent subordinated notes 2020	**754**	768
BWP 127.26 million 8.2 per cent subordinated notes 2022 (callable)	**12**	13
BWP 70 million floating rate subordinated notes 2021 (callable)	**7**	7
BWP 50 million floating rate notes 2022 (callable)	**5**	5
KRW 90 billion 6.05 per cent subordinated debt 2018	**-**	85
	778	878
Subordinated loan capital – issued by company:		
£700 million 7.75 per cent subordinated notes 2018	**-**	956
£675 million 5.375 per cent undated step up subordinated notes (callable 2020)	**296**	327
£200 million 7.75 per cent subordinated notes (callable 2022)	**53**	221
$1 billion floating rate subordinated notes 2022	**1,000**	1,000
$960 million floating rate subordinated notes 2022	**960**	960
$700 million 8.0 per cent subordinated notes 2031	**405**	426
JPY 10 billion 3.35 per cent subordinated notes 2023 (callable 2018)	**-**	89
SGD 450 million 5.25 per cent subordinated notes 2023 (callable 2018)	**-**	339
$2 billion floating rate subordinated notes 2023	**2,000**	2,000
$500 million floating rate subordinated notes 2043	**500**	500
$1.698 billion floating rate subordinated notes 2025 (callable 2020)	**1,698**	1,698
$2 billion floating rate subordinated notes 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**	1,500
$1.25 billion floating rate subordinated notes due 2032 (callable 2027)	**1,250**	1,250
	12,291	14,516
Primary capital floating rate notes		
$400 million	**16**	16
$300 million (Series 2)	**69**	69
$400 million (Series 3)	**50**	50
$200 million (Series 4)	**26**	26
£150 million	**15**	16
	176	177
	13,245	15,571

	31.12.18				
	USD $million	**GBP $million**	**EUR $million**	**Others $million**	**Total $million**
Fixed rate subordinated debt	**1,159**	**349**	**-**	**12**	**1,520**
Floating rate subordinated debt	**11,698**	**15**	**-**	**12**	**11,725**
Total	**12,857**	**364**	**-**	**24**	**13,245**

	31.12.17				
	USD $million	GBP $million	EUR $million	Others $million	Total $million
Fixed rate subordinated debt	1,194	1,504	-	526	3,224
Floating rate subordinated debt	12,319	16	-	12	12,347
Total	13,513	1,520	-	538	15,571

Redemptions and repurchases during the period

On 19 March 2018, Standard Chartered Bank Korea Limited redeemed KRW90 billion 6.05 per cent subordinated debt 2018 on its maturity.

On 3 April 2018, Standard Chartered Bank redeemed £700m 7.75 per cent subordinated notes 2018 on its maturity.

On 10 April 2018, Standard Chartered Bank exercised its right to redeem SGD450 million 5.25 per cent subordinated notes 2023 (callable 2018).

On 18 April 2018, Standard Chartered Bank exercised its right to redeem JPY10 billion 3.35 per cent subordinated notes 2023 (callable 2018).

On 14 June 2018, Standard Chartered Bank repurchased in part, £95.1 million of its £200 million 7.75 per cent subordinated notes (callable 2022).

On 10 July 2018, Standard Chartered Bank repurchased in part $621 million of its $1.5 billion floating rate subordinated notes due 2039 (callable 2034).

Issuances during the period

There were no new issuances during the year ended 31 December 2018.

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	Ordinary share capital	Share premium	Total share capital & share premium	Other equity instruments
	millions	$million	$million	$million	$million
At 1 January 2017	26,524	26,524	1,796	28,320	4,000
Shares issued	-	-	-	-	-
Additional Tier 1 equity issuance	-	-	-	-	1,000
At 31 December 2017	26,524	26,524	1,796	28,320	5,000
Capitalised on scrip dividend	-	-	-	-	-
Shares issued	-	-	-	-	-
Additional Tier 1 equity issuance	-	-	-	-	-
At 31 December 2018	**26,524**	**26,524**	**1,796**	**28,320**	**5,000**

Ordinary share capital

The authorised share capital of the Company at 31 December 2018 was $26,789 million and TWD 1,225 million (31 December 2017: $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 2018 was $26,524 million (31 December 2017: $26,524 million) made up of: 26,524 million ordinary shares of $1 each.

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 20 January 2017 the Company issued $1,000 million Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities as Additional Tier 1 (AT1) securities.

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 arrear 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).

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. Following the Group's decision to early apply this IFRS 9 requirement, the cumulative OCA component of financial liabilities designated at fair value through profit or loss has been transferred from opening retained earnings to the OCA reserve. 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 are 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 2018, the distributable reserves of Standard Chartered Bank (the Company) were $6.9 billion (2017: $7.8 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 either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

	$million
At 1 January 2017	4,187
Profits in equity attributable to non-controlling interests	35
Other profits attributable to non-controlling interests	585
Comprehensive income for the year	620
Distributions	(248)
Other increases[1]	12
At 31 December 2017	**4,571**
Expected credit loss, net	**(63)**
At 1 January 2018	**4,508**
Income in equity attributable to non-controlling interests	**59**
Other profits attributable to non-controlling interests	**554**
Comprehensive income for the year	**613**
Distributions	**(341)**
Other increases[2]	**3**
At 31 December 2018	**4,783**

1 Mainly due to additional shares issued including the premium by Nepal of $12 million

2 Mainly due to additional shares issued by Angola

29. Retirement benefit obligations

Accounting policy

The 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 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 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. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds of the same currency and term as the benefit payments.

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 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.

Significant accounting estimates and judgements

There are many factors that affect the measurement of the retirement benefit obligations of the UK Fund and Overseas Plans. This measurement requires the use of assumptions, such as discount rates, inflation, pension increases, salary increases, and life expectancies which are inherently uncertain; the sensitivity of the liabilities to changes in these assumptions is shown in the note below.

Group

Retirement benefit obligations comprise:

	31.12.18 $million	31.12.17 $million
Defined benefit plans obligation	**386**	443
Defined contribution plans obligation	**13**	12
Net obligation	**399**	455

Retirement benefit charge comprises:

	31.12.18 $million	31.12.17 $million
Defined benefit plans	**81**	98
Defined contribution plans	**283**	258
Charge against profit/(loss) (note 7)	**364**	356

The 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 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 in the asset table below partially hedge movements in the liabilities resulting from interest rate changes. Setting aside movements from other drivers such as currency fluctuation, the increases in discount rates in most geographies over 2018 have led to lower liabilities. These have been somewhat offset by falls in the value of bonds held and poor stock market performance. These movements are shown as actuarial gains versus losses respectively in the tables below. Contributions into a number of plans in excess of the amounts required to fund benefits accruing have also helped to reduce the net deficit 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 2018.

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan, representing 58 percent (31 December 2017: 60 percent) of total pension liabilities, and provides pensions based on 1/60th of final salary per year of service, normally payable from age 60. 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 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 Scheme Actuary, A Zegleman of Willis Towers Watson, using assumptions different from those below, and agreed with the UK Fund trustee. It revealed a past service deficit of $203m (£159m). To repair the deficit, four annual cash payments of $42.0 million (£32.9 million) were agreed, with the first of these paid in December 2018. The agreement allows that if the funding position improves to being at or near a surplus in future years the three payments from December 2019 will be reduced or eliminated. In addition, an escrow account of $140 million (£110 million) exists to provide security for future contributions.

With effect from 1 July 1998, the UK Fund was closed to new entrants and new employees are offered membership of a defined contribution plan. With effect from 1 April 2018 the UK Fund was closed to further accrual of benefits for the 91 active members remaining at that time. There is no accounting impact as a result of the closure as the liabilities represented by the benefits already accrued are not expected to be significantly altered by the closure.

As at 31 December 2018, the weighted average duration of the UK Fund was 14 years (31 December 2017: 15 years)

A judgement in respect of Lloyds Bank on 26 October 2018 addressed the requirement to equalise the impact of Guaranteed Minimum Pensions (GMP) for males and females. The impact on the UK Fund of this judgement was estimated by the Scheme Actuary to be $2 million. This impact has been recognised as a past service cost in the income statement.

The 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 Group are in Germany, Hong Kong, India, Jersey, Korea, Taiwan, United Arab Emirates (UAE) and the United States of Americas (US).

Key assumptions

The principal financial assumptions used at 31 December 2018 were:

	Funded plans			
	UK Fund		Overseas Plans[1]	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	%	%	%	%
Discount rate	**2.8**	2.5	0.9 – 7.6	1.0 – 7.2
Price inflation	**2.1**	2.1	1.0 – 5.0	1.0 – 5.0
Salary increases	**n/a**	2.1	2.1 – 7.0	2.1 – 7.0
Pension increases	**2.1**	2.1	0.0 – 3.2	1.6 – 3.2

1 The range of assumptions shown is for the main defined benefit overseas plans in Germany, Hong Kong, India, Jersey, Korea, Taiwan, UAE and the US. These comprise over 90 per cent of the total liabilities of overseas defined benefit 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 28 years (31 December 2017: 28 years) and a female member for 29 years (31 December 2017: 29 years) and a male member currently aged 40 will live for 30 years (31 December 2017: 30 years) and a female member for 30 years (31 December 2017: 30 years) after their 60th birthdays

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 $55 million for the UK Fund (31 December 2017: $65m) and $30 million for the other plans (31 December 2017: $30m)
- → 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 $40 million for the UK Fund (2017: $45m) and $20 million for the other plans (31 December 2017: $20m)
- → If the rate salaries increase compared to inflation increased by 25 basis points the liability would increase by nil for the UK Fund (31 December 2017: $2m) and approximately $15 million for the other plans (31 December 2017: $15m)
- → If longevity expectations increased by one year the liability would increase by approximately $45 million for the UK Fund (2017: $55m) and $15 million for the other plans (31 December 2017: $15m)

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.

	Unfunded plans			
	US Post-retirement medical [1]		Other [2]	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	%	%	**%**	%
Discount rate	**4.4**	3.8	**2.7 – 7.6**	2.3 – 7.2
Price inflation	**2.5**	2.5	**2.0 – 5.0**	1.9 – 5.0
Salary increases	**4.0**	N/A	**3.5 – 7.0**	2.1 – 7.0
Pension increases	**N/A**	N/A	**0.0 – 2.1**	0.0 – 2.1
Post-retirement medical rate	**9% in 2018 reducing by 1% per annum to 5% in 2022**	8% in 2017 reducing by 1% per annum to 5% in 2020	**N/A**	N/A

1 The US post-retirement medical plan was closed to new entrants and eligibility for benefits tightened in 2017. This is reflected in the pension cost table below
2 The range of assumptions shown is for the main unfunded plans in India, Korea, Thailand, UAE and the UK. They comprise around 85 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:

	31.12.18				31.12.17			
	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	**166**	**310**	**N/A**	**N/A**	180	354	N/A	N/A
Government bonds	**762**	**176**	**N/A**	**N/A**	752	191	N/A	N/A
Corporate bonds	**147**	**87**	**N/A**	**N/A**	140	87	N/A	N/A
Absolute Return Fund	**147**	**-**	**N/A**	**N/A**	177	-	N/A	N/A
Hedge funds[1]	**110**	**-**	**N/A**	**N/A**	190	2	N/A	N/A
Insurance linked funds[1]	**36**	**-**	**N/A**	**N/A**	38	-	N/A	N/A
Opportunistic credit[1]	**15**	**-**	**N/A**	**N/A**	60	-	N/A	N/A
Property	**44**	**14**	**N/A**	**N/A**	64	13	N/A	N/A
Derivatives	**(7)**	**3**	**N/A**	**N/A**	5	4	N/A	N/A
Cash and equivalents	**136**	**221**	**N/A**	**N/A**	91	195	N/A	N/A
Others[1]	**9**	**34**	**N/A**	**N/A**	10	39	N/A	N/A
Total fair value of assets[2]	**1,565**	**845**	**N/A**	**N/A**	1,707	885	N/A	N/A
Present value of liabilities	**(1,615)**	**(974)**	**(17)**	**(190)**	(1,827)	(996)	(18)	(194)
Net pension (liability)/asset	**(50)**	**(129)**	**(17)**	**(190)**	(120)	(111)	(18)	(194)

1 Unquoted assets
2 Self investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2018 (31 December 2017: $2 million). Self investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index

The pension cost for defined benefit plans was:

	Funded plans		Unfunded plans		
31.12.18	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Current service cost	1	54	-	12	67
Past service cost and curtailments[1]	2	-	-	-	2
Settlement cost[2]	-	-	-	1	1
Interest income on pension plan assets	(41)	(27)	-	-	(68)
Interest on pension plan liabilities	44	29	1	5	79
Total charge/(credit) to profit before deduction of tax	6	56	1	18	81
Losses/(gains) on plan assets excluding interest income[3]	67	46	-	-	113
Losses/(gains) on liabilities	(76)	(17)	(2)	1	(94)
Total losses/(gains) recognised directly in statement of comprehensive income before tax	(9)	29	(2)	1	19
Deferred taxation	2	(8)	-	-	(6)
Total losses/(gains) after tax	(7)	21	(2)	1	13

1 The past service cost in the UK Fund is due to the impact of the Lloyds judgement on 26 October 2018 confirming the requirement for UK DB pension schemes to equalise the impact of Guaranteed Minimum Pensions (GMPs) for males and females

2 The costs arise primarily from the settlement of benefits in Thailand

3 The actual return on the UK fund assets was a loss of $26 million and on overseas plan assets was a loss of $19 million

	Funded plans		Unfunded plans		
31.12.17	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Current service cost	4	53	-	16	73
Past service cost and curtailments[1]	(6)	7	(4)	-	(3)
Settlement cost[2]	-	(1)	-	8	7
Interest income on pension plan assets	(43)	(23)	-	-	(66)
Interest on pension plan liabilities	46	28	1	12	87
Total charge/(credit) to profit before deduction of tax	1	64	(3)	36	98
Return on plan assets excluding interest income[3]	(30)	(83)	-	-	(113)
Losses/(gains) on liabilities	41	51	-	(11)	81
Total losses/(gains) recognised directly in statement of comprehensive income before tax	11	(32)	-	(11)	(32)
Deferred taxation	28	7	-	-	35
Total losses/(gains) after tax	39	(25)	-	(11)	3

1 The gain in the UK Fund is due to the lower 2017 discretionary pension increased awarded. Costs arising in funded overseas schemes arise primarily in India from the expected statutory increase in the gratuity payment ceiling, an early retirement severance plan and a discretionary increase to minimum pensions. The gain in the post-retirement medical plan arises due to the reduction in eligibility criteria in the US plan

2 The costs arise primarily from the settlement of benefits in Thailand

3 The actual return on the UK fund assets was $73 million and on overseas plan assets was $106 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
Deficit at 1 January 2018	(120)	(111)	(18)	(194)	(443)
Contributions	62	64	-	17	143
Current service cost	(1)	(54)	-	(12)	(67)
Past service cost and curtailments	(2)	-	-	-	(2)
Settlement costs and transfers impact	-	-	-	(1)	(1)
Net interest on the net defined benefit asset/liability	(3)	(2)	(1)	(5)	(11)
Actuarial (losses)/gains	9	(29)	2	(1)	(19)
Exchange rate adjustment	5	3	-	6	14
Deficit at 31 December 2018 [1]	(50)	(129)	(17)	(190)	(386)

1 The deficit total of $386 million is made up of plans in deficit of $421 million (31 December 2017: $483 million) net of plans in surplus with assets totalling $35 million (31 December 2017: $40 million)

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Deficit at 1 January 2017	(116)	(159)	(22)	(198)	(495)
Contributions	19	92	1	31	143
Current service cost	(4)	(53)	-	(16)	(73)
Past service cost and curtailments	6	(7)	4	-	3
Settlement costs and transfers impact	-	1	-	(8)	(7)
Net interest on the net defined benefit asset/liability	(3)	(5)	(1)	(12)	(21)
Actuarial (losses)/gains	(11)	32	-	11	32
Adjustment for Indonesia scheme[1]	-	(4)	-	4	-
Exchange rate adjustment	(11)	(8)	-	(6)	(25)
Deficit at 31 December 2017[2]	(120)	(111)	(18)	(194)	(443)

1 During 2017 the Indonesian plan (with liabilities of $8m) was partially funded with a Company contribution of $4m. The scheme has moved from the unfunded to funded category in the tables

2 The deficit total of $453 million is made up of plans in deficit of $493 million (2016: $513 million) net of plans in surplus with assets totalling $40 million (2016: $18 million)

The Group's expected contribution to its defined benefit pension plans in 2019 is $112 million

	31.12.18			31.12.17		
	Assets $million	**Obligations $million**	**Total $million**	Assets $million	Obligations $million	Total $million
At 1 January	**2,592**	**(3,035)**	**(443)**	2,260	(2,755)	(495)
Contributions[1]	**144**	**(1)**	**143**	144	(1)	143
Current service cost[2]	**-**	**(67)**	**(67)**	-	(73)	(73)
Past service cost and curtailments	**-**	**(2)**	**(2)**	-	3	3
Settlement costs	**-**	**(1)**	**(1)**	(14)	7	(7)
Interest cost on pension plan liabilities	**-**	**(79)**	**(79)**	-	(87)	(87)
Interest income on pension plan assets	**68**	**-**	**68**	66	-	66
Benefits paid out[2]	**(168)**	**168**	**-**	(152)	152	-
Actuarial (losses)/gains[3]	**(113)**	**94**	**(19)**	113	(81)	32
Exchange rate adjustment	**(113)**	**127**	**14**	175	(200)	(25)
At 31 December	**2,410**	**(2,796)**	**(386)**	2,592	(3,035)	(443)

1 Includes employee contributions of $1 million (31 December 2017: $1 million)

2 Includes administrative expenses paid out of plan assets of $2 million (31 December 2017: $1 million)

3 Actuarial gain on obligation comprises $114 million loss (31 December 2017: $81 million loss) from financial assumption changes, $nil million gain (31 December 2017: $30 million gain) from demographic assumption changes and $20 million loss (31 December 2017: $30 million gain) from experience

Company

Retirement benefit obligations comprise:

	31.12.18 $million	31.12.17 $million
Defined benefit plans obligation	**323**	408
Defined contribution plans obligation	**1**	1
Net obligation	**324**	409

Retirement benefit charge comprises:

	31.12.18 $million	31.12.17 $million
Defined benefit plans	**40**	45
Defined contribution plans	**131**	122
Charge against profit/(loss) (note 7)	**171**	167

UK Fund

See the Group section on the UK fund in this note (page 283). There are no differences between Group and Company in respect of the Fund.

Overseas Plans

The principal overseas defined benefit arrangements operated by the Company are in Germany, India, Jersey, United Arab Emirates (UAE) and the United States of Americas (US).

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 2018.

The financial assumptions used at 31 December 2018 as shown below. Sensitivities are recorded on page 283 of the Group accounts and those for non-UK SCPF plans are applicable in proportion to the lower liabilities of the Company.

	Funded plans			
	UK Fund		Overseas Plans[1]	
	2018 %	2017 %	**2018 %**	2017 %
Discount rate	**2.8**	2.5	**1.8-7.6**	1.5-7.2
Price inflation	**2.1**	2.1	**1.7-5.0**	1.7-5.0
Salary increases	**n/a**	2.1	**2.1-7.0**	2.1-7.0
Pension increases	**2.1**	2.1	**0.0-3.2**	0.0-3.2

1 The range of assumptions shown is for the main defined benefit overseas plans in Germany, India, Jersey and the US. These comprise over 85 per cent of the total liabilities of funded overseas plans

	Unfunded plans			
	US Post-retirement medical[1]		Other[2]	
	2018 %	2017 %	**2018 %**	2017 %
Discount rate	**4.4**	3.8	**2.8-7.6**	2.3-7.2
Price inflation	**2.5**	2.5	**2.1-5.0**	1.9-5.0
Salary increases	**4.0**	N/A	**4.0-7.0**	2.1-7.0
Pension increases	**N/A**	N/A	**0.0-2.1**	0.0-2.1
Post-retirement medical rate	**9% in 2018 reducing by 1% per annum to 5% in 2022**	8% in 2017 reducing by 1% per annum to 5% in 2020	**N/A**	N/A

1 The US post-retirement medical plan is closed to new entrants and eligibility for benefits tightened. This is reflected in the pension cost table below

2 The range of assumptions shown is for the main Unfunded Plans in India, UAE and the UK. These comprise over 85% 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:

	2018				2017			
	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	**166**	**112**	**N/A**	**N/A**	180	135	N/A	N/A
Government bonds	**762**	**112**	**N/A**	**N/A**	752	117	N/A	N/A
Corporate bonds	**147**	**52**	**N/A**	**N/A**	140	51	N/A	N/A
Absolute return Fund	**147**	**-**	**N/A**	**N/A**	177	-	N/A	N/A
Hedge funds[1]	**110**	**-**	**N/A**	**N/A**	190	-	N/A	N/A
Insurance linked funds[1]	**36**	**-**	**N/A**	**N/A**	38	-	N/A	N/A
Opportunistic credit[1]	**15**	**-**	**N/A**	**N/A**	60	-	N/A	N/A
Property	**44**	**-**	**N/A**	**N/A**	64	-	N/A	N/A
Derivatives	**(7)**	**3**	**N/A**	**N/A**	5	-	N/A	N/A
Cash and equivalents	**136**	**12**	**N/A**	**N/A**	91	10	N/A	N/A
Others[1]	**9**	**31**	**N/A**	**N/A**	10	40	N/A	N/A
Total fair value of assets[2]	**1,565**	**322**	**N/A**	**N/A**	1707	353	N/A	N/A
Present value of liabilities	**(1,615)**	**(408)**	**(17)**	**(170)**	(1827)	(448)	(18)	(175)
Net pension (liability)/asset	**(50)**	**(86)**	**(17)**	**(170)**	(120)	(95)	(18)	(175)

1 Unquoted assets

2 Self investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2018 (31December 2017: $2 million). Self investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index

The pension cost for defined benefit plans was:

	Funded plans		Unfunded plans		
31.12.18	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Current service cost	1	16	-	9	26
Past service cost and curtailments[1]	2	-	-	-	2
Settlement cost	-	-	-	-	-
Interest income on pension plan assets	(41)	(14)	-	-	(55)
Interest on pension plan liabilities	44	17	1	5	67
Total charge/(credit) to profit before deduction of tax	6	19	1	14	40
Losses/(gains) on plan assets excluding interest income[2]	67	21	-	-	88
Losses/(gains) on liabilities	(76)	(33)	(2)	1	(110)
Total losses/(gains) recognised directly in statement of comprehensive income before tax	(9)	(12)	(2)	1	(22)
Deferred taxation	2	-	-	-	2
Total losses/(gains) after tax	(7)	(12)	(2)	1	(20)

1 The past service cost in the UK Fund is due to the impact of the Lloyds judgement on 26 October 2018 confirming the requirement for UK DB pension schemes to equalise the impact of Guaranteed Minimum Pensions (GMPs) for males and females.

2 The actual return on the UK fund assets was a loss of $26 million and on overseas plan assets was a loss of $7 million

	Funded plans		Unfunded plans		
31.12.17	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Current service cost	4	14	-	15	33
Past service cost and curtailments[1]	(6)	7	(4)	-	(3)
Settlement cost[2]	-	-	-	-	-
Interest income on pension plan assets	(43)	(11)	-	-	(54)
Interest on pension plan liabilities	46	15	1	7	69
Total charge/(credit)to profit before deduction of tax	1	25	(3)	22	45
Return on plan assets excluding interest income[3]	(30)	(21)	-	-	(51)
Losses/(gains) on liabilities	41	29	-	(5)	65
Total losses/(gains) recognised directly in statement of comprehensive income before tax	11	8	-	(5)	14
Deferred taxation	28	-	-	-	28
Total losses/(gains) after tax	39	8	-	(5)	42

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 2018	(120)	(95)	(18)	(175)	(408)
Contributions	62	15	-	14	91
Current service cost	(1)	(16)	-	(9)	(26)
Past service cost and curtailments	(2)	-	-	-	(2)
Settlement costs and transfers impact	-	-	-	-	-
Net interest on the net defined benefit asset/liability	(3)	(4)	(1)	(4)	(12)
Actuarial (losses)/gains	9	12	2	(1)	22
Exchange rate adjustment	5	2	-	5	12
Deficit at 31 December 2018	(50)	(86)	(17)	(170)	(323)

1 The deficit total of $323 million is made up of plans in deficit of $331 million (2017: $413 million) net of plans in surplus with assets totalling $8 million (2017: $5 million)

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
Deficit at 1 January 2017	(116)	(94)	(22)	(177)	(409)
Contributions	19	44	1	22	86
Current service cost	(4)	(14)	-	(15)	(33)
Past service cost and curtailments	6	(7)	4	-	3
Settlement costs and transfers impact	-	-	-	-	-
Net interest on the net defined benefit asset/liability	(3)	(4)	(1)	(7)	(15)
Actuarial (losses)/gains	(11)	(8)	-	5	(14)
Adjustment for Indonesia scheme[1]	-	(4)	-	4	-
Exchange rate adjustment	(11)	(8)	-	(7)	(26)
Deficit at 31 December 2017[2]	(120)	(95)	(18)	(175)	(408)

1 During 2017 the Indonesian plan (with liabilities of $8m) was partially funded with a Company contribution of $4m. The scheme has moved from the unfunded to funded category in the tables

2 The deficit total of $408 million is made up of plans in deficit of $413 million (2016: $416 million) net of plans in surplus with assets totalling $5 million (2016: $7 million)

The Company's expected contribution to its defined benefit pension plans in 2019 is $74 million

	31.12.18			31.12.17		
	Assets $million	**Obligations $million**	**Total $million**	Assets $million	Obligations $million	Total $million
At 1 January	**2,060**	**(2,468)**	**(408)**	1,828	(2,237)	(409)
Contributions[1]	**91**	**-**	**91**	86	-	86
Current service cost[2]	**-**	**(26)**	**(26)**	-	(33)	(33)
Past service cost and curtailments	**-**	**(2)**	**(2)**	-	3	3
Settlement costs	**-**	**-**	**-**	(1)	1	-
Interest cost on pension plan liabilities	**-**	**(67)**	**(67)**	-	(69)	(69)
Interest income on pension plan assets	**55**	**-**	**55**	54	-	54
Benefits paid out[2]	**(129)**	**129**	**-**	(110)	110	-
Actuarial (losses)/gains[3]	**(87)**	**109**	**22**	50	(64)	(14)
Other[4]	**2**	**(2)**	**-**	-	-	-
Exchange rate adjustment	**(105)**	**117**	**12**	153	(179)	(26)
At 31 December	**1,887**	**(2,210)**	**(323)**	2,060	(2,468)	(408)

1 Includes employee contributions of nil (31 December 2017: $1 million)

2 Includes administrative expenses paid out of plan assets of $1 million (31 December 2017: $1 million)

3 Actuarial loss on obligation comprises $118 million gain (31 December 2017: $81 million loss) from financial assumption changes nil (31 December 2017: $30 million gain) from demographic assumption changes and $9 million loss (31 December 2017: $30 million gain) from experience

4. Assets of $2m and liabilities of $2m in respect of the pension plan in Switzerland were moved into the Company during 2018. These amounts were not included in the 2017 figures and hence are not included within the opening balances

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 received in exchange for the grant of the options 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 awards granted in 2018 in respect of 2017 performance, which vest in 2019-2021, is recognised as an expense over the period from 1 January 2017 to the vesting dates in 2019-2021. 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 options 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 about the number of options that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of options 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 a non-market vesting condition 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 the 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 market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. The Company records the value of the equity-settled awards as a deemed investment in subsidiaries.

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.

	31.12.18[1]	31.12.17[1]
	Equity $million	Equity $million
Deferred share awards	**87**	86
Other share awards	**76**	64
Total share-based payments	**163**	150

1 No forfeiture assumed

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) 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 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
- 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
- Underpin shares are subject to a combination of two performance measures: EPS growth and RoRWA. The weighting between the two elements is split equally, one-half of the award depending on each measure, assessed independently. These awards vest after three or five years. Underpin shares formed part of the variable remuneration awarded to executive directors and senior management in respect of 2014 performance

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 three years.

Valuation – LTIP awards

The vesting of awards granted in both 2017 and 2018 is subject to the satisfaction of RoE (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. 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 RoE and strategic measures in the scorecard, to determine the accounting charge.

Dividend equivalents accrue on the 2017 awards during the vesting period, so no discount is applied. However, for the 2018 awards, no dividend equivalents accrue and the fair value takes this into account, calculated by reference to market consensus dividend yield

	31.12.18	31.12.17
Grant date	**9 March**	13 March
Share price at grant date (£)	**7.78**	7.43
Vesting period (years)	**3-7**	3-7
Expected dividend yield (%)	**5.00**	N/A
Fair value (RoE) (£)	**2.59, 2.59**	2.48, 2.48
Fair value (TSR) (£)	**1.14, 1.11**	1.81, 1.38
Fair value (Strategic) (£)	**2.59, 2.59**	2.48, 2.48

Valuation – 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 2018, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Deferred shares and underpin shares accrue dividend equivalent payments during the vesting period. Details of deferred, underpin and LTIP awards for executive directors can be found in the Directors' remuneration report.

Deferred share awards

Grant date	31.12.18			
	18 June		9 March	
Share price at grant date (£)	7.12		7.78	
Vesting Period	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A, 5.0, 5.0	7.12, 6.45, 6.15	N/A, 5.0, 5.0	7.78, 7.06, 6.73
1-5 years	5.0	6.00	5.0, 5.0	6.74, 6.58
3-7 years	-	-	5.0, 5.0	6.11, 5.82

Grant date	31.12.17					
	15 June		15 June		13 March	
Share price at grant date (£)	7.56		7.69		7.43	
Vesting Period	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A	7.56	N/A	7.69	N/A	7.43
1-5 years	-	-	-	-	N/A	7.43
3-7 years	-	-	-	-	N/A	7.43

Other restricted share awards

Grant date	31.12.18							
	28 November		2 October		18 June		9 March	
Share price at grant date (£)	6.11		6.16		7.12		7.78	
Vesting Period	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
6 months	-	-	-	-	-	-	-	
1 year	5.0	5.82	5.0	5.86	5.0	6.78, 6.45	5.0	7.41
2 year	5.0	5.54	5.0	5.58	5.0	6.45, 6.15	5.0	7.06
2-3 years	5.0	5.41	-	-	-	-	-	-
3 year	5.0	5.28	5.0	5.32	5.0	6.15, 5.85	5.0	6.72
4 year	-	-	5.0	5.06	5.0	5.57	5.0	6.40
5 year	-	-	5.0	4.82	-	-	5.0	6.10
6 year	-	-	-	-	-	-	-	

	31.12.17							
Grant date	29 November		3 October		15 June		13 March	
Share price at grant date (£)	7.43		7.56		7.69		7.43	
Vesting Period	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
6 months	-	-	-	-	-	-	0.0	7.43
1 year	0.0	7.43	0.0	7.56	0.0	7.69	0.0	7.43
2 year	0.0	7.43	0.0	7.56	0.5	7.61	0.5	7.35
2-3 years	-	-	-	-	-	-	1.9	7.08
3 year	1.6	7.08	1.6	7.21	2.1	7.23	2.1	6.99
4 year	2.2	6.80	2.2	6.92	2.5	6.96	2.5	6.72
5 year	2.4	6.58	2.4	6.70	-	-	-	-
6 year	2.6	6.36	2.6	6.47	-	-	-	-

2001 Performance Share Plan (2001 PSP) – now closed to new grants:

The Group's previous plan for delivering performance shares was the 2001 PSP and there remain outstanding vested awards. Under the 2001 PSP half the award was dependent upon TSR performance and the balance was subject to a target of defined EPS growth. Both measures used the same three-year period and were assessed independently.

2006 Restricted Share Scheme (2006 RSS)/2007 Supplementary Restricted Share Scheme (2007 SRSS)

The Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS, both now replaced by the 2011 Plan. There remain outstanding vested awards under these plans. Awards were generally in the form of nil cost options and did not have any performance measures. Generally deferred restricted share awards vested equally over three years and for non-deferred awards half-vested two years after the date of grant and the balance after three years. No further awards will be granted under the 2006 RSS and 2007 SRSS.

2013 Sharesave Plan:

Under the 2013 Sharesave Plan, employees may open a savings contract. Within a period of six months after the third anniversary, employees may 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 four 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:

All Employee Sharesave Plan (Sharesave)

Grant date	**31.12.18**	31.12.17
	2 October	3 October
Share price at grant date (£)	**6.16**	7.71
Exercise price (£)	**5.13**	6.20
Vesting period (years)	**3**	3
Expected volatility (%)	**33.8**	34.9
Expected option life (years)	**3.33**	3.33
Risk-free rate (%)	**0.87**	0.47
Expected dividend yield (%)	**5.00**	1.87
Fair value (£)	**1.39**	2.32

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 based on historical dividend for three years prior to grant.

Reconciliation of option movements for the year to 31 December 2018

	2011 Plan[1]						
	LTIP Shares	Deferred/ restricted shares	PSP[1]	RSS[1]	SRSS[1]	Sharesave	Weighted average exercise price (£)
Outstanding as at 1 January	**25,063,044**	**22,774,595**	**9,348**	**185,516**	**1,249**	**12,807,185**	**6.06**
Granted[2,3]	**2,475,693**	**13,494,145**	**-**	**-**	**-**	**4,769,232**	**5.13**
Lapsed	**(885,427)**	**(1,359,446)**	**(553)**	**(50,484)**	**-**	**(2,995,097)**	**7.36**
Exercised	**(16,313)**	**(8,742,697)**	**(4,525)**	**(135,032)**	**(1,249)**	**(868,457)**	**5.57**
Outstanding as at 31 December	**26,636,997**	**26,166,597**	**4,270**	**-**	**-**	**13,712,863**	**5.48**
Exercisable as at 31 December	**41,490**	**3,485,997**	**4,270**	**-**	**-**	**3,478,423**	**5.57**
Range of exercise prices (£)[2]						**5.13 – 6.20**	
Intrinsic value of vested but not exercised options ($ million)	**0.04**	**2.58**	**0.02**	**-**	**-**	**-**	
Weighted average contractual remaining life (years)	**7.43**	**8.20**	**0.48**			**2.04**	
Weighted average share price for options exercised during the period (£)	**7.44**	**7.18**	**7.79**	**7.84**	**7.85**	**6.20**	

[1] Employees do not contribute towards the cost of these awards

[2] 12,508,120 (DRSA/RSA) granted on 9 March 2018, 39,945 (Notional dividend) granted on 11 March 2018, 63,350 (Notional dividend) granted on 13 March 2018, 37,774 (Notional dividend) granted on 19 March 2018, 2,076,370 (LTIP) granted on 9 March 2018, 216,127 (Notional dividend) granted on 11 March 2018, 22,317 (Notional dividend) granted on 13 March 2018, 815 (Notional dividend) granted on 19 March 2018 and 246,367 (DRSA/RSA) granted on 18 June 2018. 163,476 (LTIP) and 74,711 (DRSA/RSA) granted on 22 Aug 2018,and 423,038 (DRSA/RA) and 4,769,232 (Sharesave) granted on 2 October 2018, and 254,842 (DRSA/RSA) granted on 28 November 2018

[3] For Sharesave granted in 2018 the exercise price is £5.13 per share, which was the average of the closing prices over the five days to the invitation date of 3 September. The closing share price on 31 August 2018 was £6.271.

Reconciliation of option movements for the year to 31 December 2017

	2011 Plan[1]						
	Performance shares	Deferred/ restricted shares	PSP[1]	RSS[1]	SRSS[1]	Sharesave	Weighted average exercise price (£)
Outstanding as at 1 January	28,303,044	23,744,910	69,103	631,793	80,299	13,275,062	6.72
Granted[2,3]	2,347,184	11,931,501	–	–	–	3,095,414	6.20
Lapsed	(5,529,182)	(1,220,508)	(14,821)	(118,531)	(18,741)	(3,522,797)	8.67
Exercised	(58,002)	(11,681,308)	(44,934)	(327,746)	(60,309)	(40,494)	5.55
Outstanding as at 31 December	25,063,044	22,774,595	9,348	185,516	1,249	12,807,185	6.06
Exercisable as at 31 December	59,508	4,231,734	9,348	185,516	1,249	1,364,426	9.38
Range of exercise prices (£)[2]	–	–	–	–	–	5.30-9.38	–
Intrinsic value of vested but not exercised options ($ million)	0.1	3.6	0.0	0.2	0.0	0.0	–
Weighted average contractual remaining life (years)	8.29	8.09	1.13	0.19	0.19	2.05	–
Weighted average share price for options exercised during the period (£)	7.44	7.43	7.73	7.43	7.35	7.62	–

1 Employees do not contribute towards the cost of these awards

2 For Sharesave granted in 2017 the exercise price is £6.20 per share, which was the average of the closing prices over the five days to the invitation date of 4 September. The closing share price on 1 September 2017 was £7.7390

3 Performance shares comprise 2,347,184 (LTIP) granted on 13 March 2017. Deferred/restricted shares comprise 9,920,918 (RSA/DRSA) granted on 13 March 2017, 366,830 (RSA/DRSA) granted on 15 June 2017, 871,760 (RSA) granted on 03 October 2017 and 771,993 (RSA) granted on 29 November 2017.

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, or 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. As at 31 December 2018, 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.

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.

Impairment testing of investments in associates and joint arrangements is based on judgements including the basis of assumptions and forecasts used for estimating the expected cash flows from the investments and in the calculations 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	31.12.18 $million	31.12.17 $million
As at 1 January	**13,517**	13,515
Additions	**596**	577
Disposal	**(18)**	(287)
Impairment	**(497)**	(288)
As at 31 December	**13,598**	13,517

At 31 December 2018, 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 (China) Limited, China	China	100
Standard Chartered Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Private Equity Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	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	74.30
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	51[1]

1 49 per cent is held by Standard Chartered Holdings Limited, the Group's parent company

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 49% non-controlling interest in Standard Chartered Bank (Hong Kong) Limited ('SCHK') amounting to $4,513 million (31 December 2017: $4,241 million) and the 25.7 per cent non-controlling interest amounting to $108 million (31 December 2017: $105 million) in Standard Chartered Bank Kenya Limited ('SCK'). SCHK contributes 23.4 per cent of the Group's Operating Income, 34.2 per cent of the Group's Operating Profit and 22.5 per cent of the Group's assets. SCK contributes1.8 per cent of the Group's Operating Income, 3.1 per cent of the Group's Operating Profit and 0.4 per cent of the Group's assets.

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 2018, the total cash and balances with central bank was $58 billion (31 December 2017: $59 billion) of which $8 billion (31 December 2017: $10 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. Encumbered assets are disclosed in Risk review and Capital review (page 130).

Share of profit/(loss) from investment in associates and joint ventures comprises:

	31.12.18 $million	31.12.17 $million
Profitfrom investment in joint ventures	**26**	29
Profit from investment in associates	**212**	239
Total	**238**	268

	PT permata Bank Tbk	
	31.12.18	31.12.17
Group	$million	$million
As at 1 January	**775**	706
Exchange translation difference	**(49)**	(1)
Expected credit loss, net[1]	**(33)**	-
Additions	**-**	44
Share of profit	**26**	29
Share of FVOCI/available-for-sale and other reserves	**(2)**	(3)
As at 31 December	**717**	**775**

1 IFRS 9 transition impact from joint venture is repoted here

	31.12.18	31.12.17
Company	$million	$million
As at 1 January	**828**	784
Additions	**-**	44
As at 31 December	**828**	**828**

The Company accounts for its investments in joint ventures at cost.

The Group's principal joint venture is PT Bank Permata Tbk (Permata). The Group has a 44.56 per cent (31 December 2017: 44.56 per cent) equity investment in Permata. The Group has determined that it has joint control of Permata through its shareholding, which is held alongside a third party that holds the same percentage. The Group has made the judgement that through these equity holdings, and in making decisions pertaining to Permata that both parties require each other's unanimous consent when making decisions over the relevant activities of Permata. Permata is based in Indonesia and provides financial services to consumer and commercial banking clients. The Group's share of profit/(loss) of Permata amounts to $26 million (31 December 2017: $29 million) and the Group's share of net assets was $717 million (31 December 2017: $775 million).

On 16 February 2017 Permata announced plans for an IDR3 trillion (approximately $225 million) rights issue to drive growth. The Group invested an additional $44 million during 2017 as part of the rights issue. Permata is listed on the Indonesia Stock Exchange with a share price of IDR 625 as at 31 December 2018 resulting in a share capitalisation value of the Groups investment of $540 million

The following table sets out the summarised financial statements of PT Bank Permata Tbk prior to the Group's share of joint ventures being applied:

	31.12.18 $million	31.12.17 $million
Current assets	**6,001**	5,626
Non-current assets	**4,439**	5,193
Current liabilities	**(8,342)**	(8,415)
Non-current liabilities	**(657)**	(924)
Net assets	**1,441**	1,480
Operating income	**517**	641
Of which:		
Interest income	**779**	837
Interest expense	**(399)**	(447)
Expenses	**(312)**	(334)
Impairment	**(117)**	(224)
Operating profit/(loss)	**88**	83
Taxation	**(23)**	(18)
Profit/(loss) after tax	**65**	65
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,445**	1,207
Other comprehensive loss for the year	**(8)**	(5)
Total comprehensive income/(loss) for the year	**57**	60

In December 2016 Permata established a portfolio of non-performing loans that were beyond its risk appetite which were to be liquidated. This resulted in an incremental impairment of $140 million, representing the difference between the carrying amount of the liquidation portfolio on a hold to collect basis and the amount expected to be realised upon liquidation. This is consistent with the Group's restructuring actions. Accordingly, in 2016 the Group has recorded its $62 million share of this incremental impairment as restructuring and this was normalised from the underlying results of the Group. In 2017 a gain of $59 million has been recognised in restructuring as a result of recoveries on these non-performing loans.

Current assets primarily represent cash and short term receivable balances. Non-current assets are primarily loans to customers. Current liabilities are primarily customer deposits based on contractual maturities, whilst non-current liabilities are longer term payables such as subordinated debt.

Reconciliation of the net assets above to the carrying amount of the investments in PT Bank Permata Tbk recognised in the consolidated financial statements:

	31.12.18 $million	31.12.17 $million
Net assets of PT Bank Permata Tbk	**1,441**	1,480
Proportion of the Group's ownership interest in joint ventures	**642**	659
Notional goodwill	**108**	116
Other adjustments	**(33)**	-
Carrying amount of the Group's interest in PT Bank Permata Tbk	**717**	775

The Group's interest in Permata was tested for impairment. The recoverable amount is based on estimates including forecasting the expected cash flows from the investments and the discount rate used in calculation of the present values of those cash flows. At 31 December 2018, the recoverable amount of the interest in Permata exceeded its carrying amount, and no impairment provision was required.

Interests in associates

	China Bohai Bank		Other		Total	
	31.12.18 $million	31.12.17 $million	**31.12.18 $million**	31.12.17 $million	**31.12.18 $million**	31.12.17 $million
As at 1 January	**1,489**	1,182	**35**	34	**1,524**	1,216
Exchange translation differences	**(95)**	96	**-**	-	**(95)**	96
Expected credit loss, net[1]	**(19)**	-	**-**	-	**(19)**	-
Additions	**-**	-	**-**	-	**-**	-
Share of profits	**205**	229	**7**	10	**212**	239
Disposals	**-**	-	**-**	37	**-**	37
Dividends received	**(64)**	-	**(3)**	(2)	**(67)**	(2)
Share of FVOCI/AFS and Other reserves	**35**	(18)	**-**	(39)	**35**	(57)
Others	**-**	-	**-**	(5)[2]	**-**	(5)
As at 31 December	**1,551**	1,489	**39**	35	**1,590**	1,524

1 IFRS 9 transition impact from joint venture is reported here

2 Relates to Asia Commercial Bank in 2017

Company	**31.12.18 $million**	31.12.17 $million
As at 1 January	**31**	31
Exchange translation differences	**-**	1
Assets held for sale	**(21)**	**-**
Disposals	**-**	(1)
As at 31 December	**10**	31

A complete list of the Group's interest in associates is included in note 39. The Group's principal associate is:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking Operations	China	19.99

The Group's investment in China Bohai Bank is less than 20 per cent but it is considered to be an associate because of the significant influence the Group is able to exercise over the management and financial and operating policies. The Group applies the equity method of accounting for investments in associates. The reported financials up to November 2018 of this associate are within three months of the Group's reporting date.

The following table sets out the summarised financial statements of China Bohai Bank prior to the Group's share of the associates being applied:

	China Bohai Bank	
	30 Nov 2018 $million	30 Nov 2017 $million
Current assets	**62,212**	52,056
Non-current assets	**85,547**	104,479
Current liabilities	**(65,731)**	(82,293)
Non-current liabilities	**(74,269)**	(66,794)
Net assets	**7,759**	7,448
Operating income	**3,427**	3,854
Of which:		
Interest income	**6,699**	6,014
Interest expense	**(4,430)**	(3,452)
Expenses	**(1,273)**	(1,388)
Impairment	**(971)**	(1,056)
Operating profit	**1,183**	1,410
Taxation	**(160)**	(263)
Profit after tax	**1,023**	1,147
The above amounts of assets and liabilities include the following:		
Other comprehensive loss for the year	**175**	(91)
Total comprehensive income for the year	**1,198**	1,056

Non-current assets are primarily loans to customers and current liabilities are primarily customer deposits based on contractual maturities.

During the year, there were no indicators of impairment for the Group's investment in China Bohai Bank. The carrying value of the investment as of 31 December 2018 was $1,551 million (31 December 2017: $1,489 million).

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.

	31.12.18	31.12.17
	$million	$million
Aircraft and ship leasing	**4,348**	4,816
Structured and Principal finance	**996**	2,108
Total	**5,344**	6,924

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.

	31.12.18					31.12.17				
	Asset-backed securities	Structured finance	Principal Finance funds	Other activities	Total	Asset-backed securities	Structured finance	Principal Finance funds	Other activities	Total
	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Group's interest - assets										
Financial assets held at fair value through profit or loss	**1,094**	**-**	**44**	**247**	**1,385**	885	-	310	98	1,293
Loans and advances to customers/investment securities at amortised cost	**2,556**	**1,403**	**252**	**190**	**4,401**	1,437	1,527	275	-	3,239
Investment securities (fair value through other comprehensive income/available-for-sale)	**3,812**	**-**	**-**	**-**	**3,812**	4,105	-	23	-	4,128
Other assets	**-**	**-**	**224**	**-**	**224**	-	-	19	-	19
Total assets	**7,462**	**1,403**	**520**	**437**	**9,822**	6,427	1,527	627	98	8,679
Off-balance sheet	**116**	**553**	**-**	**-**	**669**	86	501	176	-	763
Group's maximum exposure to loss	**7,578**	**1,956**	**520**	**437**	**10,491**	6,513	2,028	803	98	9,442
Total assets of structured entities	**205,837**	**2,785**	**2,537**	**11,872**	**223,031**	295,468	3,747	3,291	106	302,612

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 structured entities as set out in the Risk Review and Capital review (page 109). 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. 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.

- **Structured finance:** Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions largely relate to the provision of aircraft leasing and ship finance.

- **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 includes 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	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	$million	$million	**$million**	$million
Amortisation of discounts and premiums of investment securities	**(375)**	(292)	**70**	(91)
Interest expense on subordinated liabilities	**672**	700	**624**	649
Interest expense on senior debt securities in issue	**103**	84	**-**	-
Other non-cash items	**669**	398	**367**	97
Pension costs for defined benefit schemes	**81**	98	**40**	45
Share-based payment costs	**163**	150	**134**	118
Impairment losses on loans and advances and other credit risk provisions	**653**	1,341	**542**	1,003
Dividend income from subsidiaries	**-**	-	**(941)**	(677)
Other impairment	**164**	429	**510**	677
Net gain on derecognition of investment in associate	**-**	(64)	**-**	-
(Profit)/loss from associates and joint ventures	**(238)**	(268)	**-**	-
Total	**1,892**	2,576	**1,346**	1,821

Change in operating assets

	Group		Company	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	$million	$million	**$million**	$million
Decrease/(increase) in derivative financial instruments	**371**	19,813	**384**	19,551
(Increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	**3,963**	(5,398)	**(51)**	(3,562)
Increase in loans and advances to banks and customers	**(16,901)**	(26,065)	**22,353**	(16,374)
Net increase in pre-payments and accrued income	**(252)**	(20)	**(143)**	(158)
Net increase in other assets	**(1,970)**	2,460	**(34,347)**	(112)
Total	**(14,789)**	(9,210)	**(11,804)**	(655)

Change in operating liabilities

	Group		Company	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	$million	$million	**$million**	$million
(Decrease)/increase in derivative financial instruments	**(484)**	(18,413)	**(624)**	(18,995)
Net increase/(decrease) in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**31,204**	22,298	**(20,948)**	6,690
Increase/(decrease) in accruals and deferred income	**21**	63	**(1,122)**	(40)
(Decrease)/increase in amount due to parents/subsidiaries/other related	**3,145**	(3,100)	**7,151**	605
Net increase/(decrease) in other liabilities	**4,175**	(237)	**42,485**	2,006
Total	**38,061**	611	**26,942**	(9,734)

Disclosures

	Group		Company	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	$million	$million	**$million**	$million
Subordinated debt (including accrued interest):				
Opening balance	**15,718**	20,214	**14,773**	19,253
Interest paid	**(637)**	(390)	**(584)**	(729)
Repayment	**(2,244)**	(4,584)	**(2,162)**	(4,561)
Foreign exchange movements	**15**	166	**20**	155
Fair value changes	**(100)**	(79)	**(84)**	(58)
Other	**507**	391	**516**	713
Closing balance	**13,259**	15,718	**12,479**	14,773
Senior debt (including accrued interest):				
Opening balance	**3,401**	2,486	**-**	-
Proceeds from the issue	**5,214**	792	**3,765**	-
Interest paid	**(151)**	(70)	**(128)**	-
Repayment	**(3,888)**	(925)	**(2,781)**	-
Foreign exchange movements	**(148)**	223	**(31)**	-
Fair value changes	**(755)**	24	**(578)**	-
Other	**900**	871	**1,848**	-
Closing balance	**4,573**	3,401	**2,095**	-

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	
	31.12.18	31.12.17	**31.12.18**	31.12.17
	$million	$million	**$million**	$million
Cash and balances at central banks	**57,511**	58,864	**44,749**	44,951
Less: restricted balances	**(8,152)**	(9,761)	**(2,241)**	(2,591)
Treasury bills and other eligible bills	**15,393**	9,384	**618**	1,252
Loans and advances to banks	**30,444**	25,729	**15,961**	11,172
Trading securities	**2,299**	3,015	**817**	1,048
Total	**97,495**	87,231	**59,904**	55,832

Restricted balances comprise minimum balances required to be held at central banks.

35. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in 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.

	31.12.18	31.12.17
	$million	$million
Salaries, allowances and benefits in kind	**16**	16
Share-based payments	**14**	14
Bonuses paid or receivable	**3**	3
	33	33

Transactions with directors and others

At 31 December 2018+, 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 $nil million (2017: $nil million).

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.

Group

	31.12.18				31.12.17			
	Due from/to subsidiary undertakings and other related parties	**Derivatives**	**Subordinated liabilities and other borrowed funds**	**Accruals**	Due from/to subsidiary undertakings and other related parties	Derivatives	Subordinated liabilities and other borrowed funds	Accruals
	$million	**$million**	**$million**	**$million**	$million	$million	$million	$million
Assets								
Ultimate parent company	**216**	**1,361**	**-**	**-**	34	699	-	1
Fellow subsidiaries of SC PLC Group	**1,121**	**3**	**-**	**17**	1,186	20	-	13
	1,337	**1,364**	**-**	**17**	1,220	719	-	14
Liabilities								
Ultimate parent company	**17,132**	**242**	**11,713**	**182**	14,963	277	12,335	266
Fellow subsidiaries of SC PLC Group	**472**	**2**	**-**	**-**	704	1	-	16
	17,604	**244**	**11,713**	**182**	15,667	278	12,335	282

	31.12.18				31.12.17			
	Fees and commission income	**Fees and commission expense**	**Interest income**	**Interest expense**	Fees and commission income	Fees and commission expense	Interest income	Interest expense
	$million	**$million**	**$million**	**$million**	$million	$million	$million	$million
Ultimate parent company	**-**	**-**	**-**	**952**	-	-	-	848
Fellow subsidiaries of SC PLC Group	**42**	**114**	**17**	**(15)**	38	80	10	2
	42	**114**	**17**	**937**	38	80	10	850

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.

Associate and joint ventures

	31.12.18				31.12.17		
	China Bohai Bank	**Clifford Capital**	**PT Bank Permata**	**Seychelles International Mercantile Banking Corporation Limited**	**China Bohai Bank**	**Clifford Capital**	**PT Bank Permata**
	$million	**$million**	**$million**	**$million**	$million	$million	$million
Assets							
Loans and advances	**-**	**22**	**58**	**-**	-	50	95
Debt securities	**-**	**-**	**-**	**-**	-	27	-
Derivative assets	**2**	**-**	**-**	**-**	1	-	-
Total assets	**2**	**22**	**58**	**-**	1	77	95
Liabilities							
Deposits	**266**	**-**	**35**	**11**	219	-	29
Debt securities issued	**-**	**-**	**-**	**-**	15	-	-
Derivative liabilities	**-**	**-**	**-**	**-**	-	-	-
Total liabilities	**266**	**-**	**35**	**11**	234	-	29
Loan commitments and other guarantees	**-**	**-**	**-**	**-**	-	-	-
Total net income	**6**	**-**	**6**	**-**	5	-	6

Company

	31.12.18				31.12.17			
	Due from/to subsidiary undertakings and other related parties	**Derivatives**	**Subordinated liabilities and other borrowed funds**	**Accruals**	Due from/to subsidiary undertakings and other related parties	Derivatives	Subordinated liabilities and other borrowed funds	Accruals
	$million	**$million**	**$million**	**$million**	$million	$million	$million	$million
Assets								
Ultimate parent company	**216**	**1,361**	**-**	**-**	27	699	-	-
Subsidiaries and fellow subsidiaries of SC PLC Group	**8,712**	**4,050**	**-**	**51**	16,541	4,656	-	61
	8,928	**5,411**	**-**	**51**	16,568	5,355	-	61
Liabilities								
Ultimate parent company	**17,132**	**242**	**11,713**	**182**	14,954	277	12,335	266
Subsidiaries and fellow subsidiaries of SC PLC Group	**22,722**	**3,515**	**-**	**28**	19,027	5,460	-	14
	39,854	**3,757**	**11,713**	**210**	33,981	5,737	12,335	280

	31.12.18				
	Fees and commission income	**Fees and commission expense**	**Interest income**	**Interest expense**	**Dividend income**
	$million	**$million**	**$million**	**$million**	**$million**
Ultimate parent company	**-**	**-**	**-**	**952**	**1,035**
Subsidiaries and fellow subsidiaries of SC PLC Group	**75**	**203**	**184**	**229**	**(94)**
	75	**203**	**184**	**1,181**	**941**

	31.12.17				
	Fees and commission income[1]	Fees and commission expense[1]	Interest income	Interest expense	Dividend income[1]
	$million	$million	$million	$million	$million
Ultimate parent company	-	-	-	848	-
Subsidiaries and fellow subsidiaries of SC PLC Group	43	187	212	107	677
	43	187	212	955	677

1 Restated to include additional related party transactions

As at 31 December 2018, Standard Chartered Bank had created a charge over $83 million (31 December 2017: $75 million) of cash assets in favour of the 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.

As at 31 December 2018, the Company held debt securities issued by subsidiary undertakings of $2,380 million (2017: $1,833 million). There is $ Nil million (2017: $1 million) of debt security issued to subsidiary undertakings.

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 21 February, the Standard Chartered PLC Board approved a group reorganisation in which it will acquire the direct ownership of Standard Chartered Bank (Hong Kong) Limited (SCB HK) currently held by wholly owned subsidiary undertakings Standard Chartered Bank (SCB) and Standard Chartered Holdings Limited.

The effect on the financial statements is as follows:

a Group Financial Statements: The net assets of SCB HK on completion will be derecognised and, if this was reflected at 31 December 2018, would be as follows:

	Continuing Operation	Disposed of Operation	2018
	$million	$million	$million
Assets	**539,658**	**150,237**	**689,894**
Liabilities	**497,013**	**140,050**	**637,063**

Of the total consolidated profit of SCB of $1,411 million during the 2018 year, $1,233 million relates to the entities sold.

b Company Financial Statements: The investment in SCB HK will be derecognised at cost from the balance sheet of SCB.

37. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, KPMG LLP and its associates (together KPMG), 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.

	31.12.18 $million	31.12.17[1] $million
Audit fees for the Group statutory audit	**9.2**	9.4
Fees payable to KPMG for other services provided to the Group:		
Audit of Standard Chartered PLC subsidiaries	**8.3**	7.7
Total audit fees	**17.5**	17.1
Audit-related services	**7.0**	5.9
Other assurance services	**0.3**	0.2
Tax compliance and advisory services	**0.1**	0.3
Corporate finance services	**0.2**	0.5
Total fees payable	**25.1**	24.0

1 Prior year balances have been re-presented to align to current year categories.

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 KPMG 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
- Tax services include services which are not prohibited by the European Directive on Statutory Audits of Annual and Consolidated Accounts and the Regulation on Statutory Audits of Public Interest Entities
- Corporate finance services are fees payable to KPMG for issuing comfort letters

Expenses incurred during the provision of services and which have been reimbursed by the Group are not included within auditor's remuneration. Expenses incurred for 2018 were $0.6 million (2017: $0.9 million).

38. Remuneration of Directors

This table sets out salary, fixed pay allowances, benefits (including pensions) and one-off amounts (such as buy-out awards) received in 2018 and variable remuneration awards received in respect of 2018.

	31.12.18 £000	31.12.17 £000
Salaries	**4,108**	4,055
Fixed pay allowances	**1,669**	1,669
Pension	**1,228**	1,211
Benefits	**382**	442
Annual incentive	**4,649**	5,219
Vesting of LTIP awards	**3,316**	-
Total	**15,352**	12,596

Additional information on the remuneration elements in the above single total figure table

Salaries

The salaries of four current directors as at 1 January 2018 (or date of appointment, if later) were £4,055,000.

Fixed pay allowances

These are paid in shares, subject to a retention period and released over five years. The number of shares allocated is determined based on the monetary value of the allowance and the prevailing market price of the Group's shares on the date of allocation. FPAs are not variable remuneration; therefore, performance measures are not applicable.

Share options

Four directors exercised share options over Standard Chartered Bank PLC during the year.

Benefits

All directors receive benefits, such as private medical cover, life assurance, permanent health insurance, an allowance in respect of taxation advice and a car and, for some of the directors, the use of a company vehicle and driver for business purposes. Some directors occasionally use a Group car service for travelling and had spouses travel to attend events. The 2018 benefits figures are shown in respect of the 2017/18 tax year. This provides consistency with the reporting in previous years.

Pension

Two directors received pension contributions and cash allowances which combined equate to 40 per cent of salary. Two directors received pension contributions and cash allowances which combined equate to 20 per cent of salary.

Incentives

Directors' annual incentives in respect of 2018 are delivered upfront with 50 per cent paid in shares subject to a minimum twelve-month retention period.

The long-term incentive plan (LTIP) awards granted in March 2015 were due to vest in March 2018, based on performance over the years 2015 to 2017. Performance measures were not met and so the awards will lapse.

The LTIP awards granted in May 2016 are due to vest in May 2019, based on performance over the years 2016 to 2018. Following an estimated assessment of the performance measures (RoE with CET1 underpin, relative TSR and strategic measures), 27 per cent of these awards will vest. The final assessment of relative TSR performance will be conducted in March 2019, the end of the three-year performance period. Based on a share price of £5.83, the three-month average to 31 December 2018, the estimated value to be delivered to two directors is £2,536,000.

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 2018 Directors' remuneration report on pages 96 to 116.

Further information on the remuneration for those directors who are also executive directors of the SC PLC Group can be found in the SC PLC Group's 2018 Directors' remuneration report on pages 96 to 116.

39. Related undertakings of the Group

As at 31 December 2018, the Group's interests in related undertakings is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. 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			
BWA Dependents Limited	United Kingdom	£1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited	United Kingdom	£1.00 Ordinary shares	100
SC Leaseco 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
SCMB Overseas Limited	United Kingdom	£0.10 Ordinary shares	100
Standard Chartered Africa Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered APR Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Bank	United Kingdom	$0.01 Non-Cumulative Irredeemable Preference shares	100
		$5.00 Non-Cumulative Redeemable Preference shares	100
		$1.00 Ordinary shares	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 Masterbrand Licensing Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered NEA 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[2]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 2 LP[2]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 3 LP[2]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 4 LP[2]	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 5 LP[2]	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[2]	United Kingdom	Limited Partnership interest	100
Bricks (C) LP[2]	United Kingdom	Limited Partnership interest	100
Bricks (M) LP	United Kingdom	Limited Partnership interest	100
Bricks (P) LP[2]	United Kingdom	Limited Partnership interest	100
Bricks (T) LP[2]	United Kingdom	Limited Partnership interest	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	AOK6,475.62 Ordinary shares	60
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia			
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[3]	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, 3600 - 7th floor, Sao Paulo, Sao Paulo, 04538-132, Brazil			
Standard Chartered Bank (Brasil) S.A. - Banco de Investimento	Brazil	BRL Ordinary shares	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 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 shares	100
The following company has the address of-20 Adelaide Street, Suite 1105 , Toronto ON M5C 2T6 Canada			
Standard Chartered (Canada) Limited	Canada	CAD1.00 Ordinary shares	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
		$1.00 Class X shares	100
The following companies have 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	91
		$0.01 Preference shares	66.7
Standard Chartered Principal Finance (Cayman) Limited	Cayman Islands	$0.0001 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 companies have 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
Standard Chartered Saadiq Mudarib Company Limited	Cayman Islands	$1.00 Ordinary shares	100
The following companies have the address of Unit 2 – 101, Building 3, Haifeng Logistics Park, No. 600 Luoyang Road, Tianjin, Dongjiang Free Trade Port Zone, China			
Pembroke Aircraft Leasing (Tianjin) Limited	China	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Tianjin 1 Limited	China	CNY1.00 Ordinary shares	100
Pembroke Aircraft Leasing Tianjin 2 Limited	China	CNY1.00 Ordinary shares	100
The following company has the address of Standard Chartered Tower, 201 Century Avenue, Pudong, Shanghai 200120, China			

Standard Chartered Bank (China) Limited	China	CNY Ordinary shares	100
The following company has the address of Unit 5, 12th Floor, Standard Chartered Tower, World Finance, No 1 East Third Ring Middle Road, Chaoyang District, Beijing 100020, China			
Standard Chartered Corporate Advisory Co. Ltd	China	$1.00 Ordinary shares	100
The following company has the address of No. 188 Yeshen Rd, 11F, A-1161 RM, Pudong New District, Shanghai 31201308, China			
Standard Chartered Trading (Shanghai) Limited	China	$15,000,000.00 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	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, PMB 259 Banjul, The Gambia			
Standard Chartered Bank Gambia Limited	Gambia	GMD1.00 Ordinary shares	74.9
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 Limited	Ghana	GHS Ordinary shares	69.4
		GHS0.52 Preference shares	87.0
Standard Chartered Ghana Nominees Limited	Ghana	GHS 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 15/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
Horsford Nominees Limited	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 1401 Hutchison House, 10 Harcourt Road, Hong Kong			
Kozagi Limited	Hong Kong	HKD10.00 Ordinary shares	100
Majestic Legend Limited	Hong Kong	HKD1.00 Ordinary shares	100
Ori Private Limited	Hong Kong	$1.00 Ordinary shares	100
		$1.00 A Ordinary shares	90.8
Standard Chartered PF Real Estate (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
The following companies have the address of 25/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Marina Acacia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Amaryllis Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Amethyst Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Ametrine Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Angelite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Apollo Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Beryl Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Carnelian Shipping Limited	Hong Kong	$ Ordinary shares	100

Marina Emerald Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Flax Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Hazel Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Honor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Marina Ilex Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Iridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Kunzite Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Leasing Limited	Hong Kong	$ Ordinary shares	100
Marina Mimosa Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Moonstone Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Peridot Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Sapphire Shipping Limited	Hong Kong	$ Ordinary shares	100
Marina Splendor Shipping Limited	Hong Kong	HKD Ordinary shares	100
		$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Hong Kong	$ Ordinary shares	100
SC Digital Solutions Limited	Hong Kong	HKD0.05 Ordinary shares	100
Standard Chartered Leasing Group Limited	Hong Kong	$ Ordinary shares	100
Standard Chartered Trade Support (HK) Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 13/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong			
SC Learning Limited	Hong Kong	HKD Ordinary shares	100
The following company has the address of 2/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Private Equity Limited	Hong Kong	HKD1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
The following company has the address of 13/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong			
Standard Chartered Trust (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
The following company has the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong			
Standard Chartered Securities (Hong Kong) 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 companies have 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
Standard Chartered Bank (Hong Kong) Limited	Hong Kong	HKD A Ordinary shares	58.8
		HKD B Ordinary shares	46.5
		$ Preference shares	100
The following company has the address of L5 The Forum, Exchange Square, 8 Connaught Place,Central, Hong Kong			
Standard Chartered Global Trading Investments Limited	Hong Kong	HKD 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	98.7
The following companies have the address of Crescenzo, 6th Floor, Plot No 38-39, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra, 400051, India			
Standard Chartered (India) Modeling and Analytics Centre Private Limited	India	INR10.00 Ordinary shares	100
Standard Chartered Investments and Loans (India) Limited	India	INR10.00 Ordinary shares	100
St Helen's Nominees India Private Limited	India	INR10.00 Equity shares	100
The following company has the address of Crescenzo, 7th 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 2nd Floor, 23-25 M.G. Road, Fort, Mumbai, 400 001, India			
Standard Chartered Securities (India) Limited	India	INR10.00 Ordinary shares	100
The following companies have the address of Menara Standard Chartered, 7th floor, Jl. Prof. DR. Satrio No. 164, Jakarta, 12930, Indonesia			
PT. Price Solutions Indonesia	Indonesia	$100.00 Ordinary shares	100
PT Solusi Cakra Indonesia	Indonesia	IDR23,809,600.00 Ordinary shares	99
The following companies have the address of 32 Molesworth Street, Dublin 2, D02 Y512, Ireland			
Pembroke Aircraft Leasing 1 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 6 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Ireland	$1.00 Ordinary 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	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 Standard Chartered@ 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	74.3
		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	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following companies have the address of 2/F, 47 Jongno, Jongno-gu, Seoul, 110-702, Korea, Republic of			
Standard Chartered Bank Korea Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	100
Standard Chartered Securities Korea Limited	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 16, Menara Standard Chartered, 30, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Cartaban (Malaya) Nominees Sdn Berhad	Malaysia	RM10.00 Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Golden Maestro Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Popular Ambience Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
Price Solutions Sdn Bhd	Malaysia	RM1.00 Ordinary shares	100
SCBMB Trustee Berhad	Malaysia	RM10.00 Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Malaysia	RM0.10 Irredeemable Cumulative Preference shares RM1.00 Ordinary shares	100 100
Standard Chartered Saadiq Berhad	Malaysia	RM1.00 Ordinary shares	100
The following companies have the address of Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T., Malaysia			
Marina Morganite Shipping Limited	Malaysia	$ Ordinary shares	100
Marina Moss Shipping Limited	Malaysia	$1.00 Ordinary shares	100
Marina Tanzanite Shipping Limited	Malaysia	$ Ordinary shares	100
The following company has the address of N8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia			
Resolution Alliance Sdn Bhd[2]	Malaysia	RM1.00 Ordinary shares	91
The following company has the address of Level 7, 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	RM1.00 Ordinary shares	100
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands			
Marina Alysse Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Amandier Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Angelica Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Aquamarine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Buxus Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Celsie Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Citrine Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dittany Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Dorado Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100

Marina Lilac Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Lolite Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Pissenlet Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Poseidon Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Protea Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Quartz Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Remora Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Zeus Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
Marina Zircon Shipping Limited	Marshall Islands	$1.00 Ordinary shares	100
The following company has the address of SGG Corporate Services (Mauritius) Ltd, 33, Edith Cavell St, 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
Actis Place Holdings (Mauritius) Limited[2]	Mauritius	Class A $1.00 Ordinary shares	62
		Class B $1.00 Ordinary shares	62
Actis Treit Holdings (Mauritius) Limited[2]	Mauritius	Class A $1.00 Ordinary shares	62
		Class B $1.00 Ordinary shares	62
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	$10.00 Ordinary shares	100
The following companies have the address of c/o Abax Corporate Services Ltd, 6/F, Tower A, 1 CYBERCITY, Ebene, Mauritius			
Standard Chartered Financial Holdings	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Mauritius	$1.00 Ordinary shares	100
		$ Redeemable Preference shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Mauritius	$1.00 Ordinary shares	100
The following company has the address of 5/F, Ebene Esplanade, 24 Bank Street, Cybercity, Ebene, 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	70.2
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom			
Smart Application Investment B.V.	Netherlands	€45.00 Ordinary shares	100
Standard Chartered Holdings (Africa) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V.	Netherlands	€4.50 Ordinary shares	100
Standard Chartered MB Holdings B.V.	Netherlands	€4.50 Ordinary shares	100
The following companies have the address of 142 Ahmadu Bello Way, Victoria Island, Lagos, 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
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	100
The following company has the address of ul. Towarowa 25A, 00-869 Warszawa, Poland			
Standard Chartered Global Business Services spólka z ograniczona odpowiedzialnoscia	Poland	PLN50.00 Ordinary shares	100
The following company has the address of Offshore Chambers, PO Box 217, Apia, Western Samoa			
Standard Chartered Nominees (Western Samoa) Limited	Samoa	$1.00 Ordinary shares	100
The following company has the address of Al Faisaliah Office Tower, 7/F, 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 company has the address of 8 Marina Boulevard, Level 23, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Actis Mahi Holdings (Singapore) Private Limited	Singapore	SGD 1.00 Ordinary shares	100
Actis Place Holdings No.1 (Singapore) Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Actis Place Holdings No.2 (Singapore) Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Actis RE Investment 1 Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Actis RE Investment 2 Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Actis RE Investment 3 Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Actis RE Investment 4 Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Actis Treit Holdings No.1 (Singapore) Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Actis Treit Holdings No.2 (Singapore) Private Limited[2]	Singapore	SGD 1.00 Ordinary shares	100
Standard Chartered PF Managers Pte. Limited	Singapore	$1.00 Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Singapore	SGD1.00 Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore			
Marina Aquata Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Aster Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Daffodil Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Freesia Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Mars Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Mercury Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
Marina Opah Shipping Pte. Ltd.	Singapore	SGD Ordinary shares	100
		$ Ordinary shares	100
Marina Partawati Shipping Pte. Ltd.	Singapore	$ Ordinary shares	100
Marina Poise Shipping Pte. Ltd.	Singapore	$ 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, Level 27, 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 (2000) Limited	Singapore	SGD1.00 Ordinary shares	100
Standard Chartered Bank (Singapore) Limited	Singapore	SGD Ordinary shares	100
		SGD Preference shares	100
		$ Ordinary 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
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	$1.00 Ordinary shares	50
The following company has the address of 9 Battery Road, #15-01 Straits Trading Building, 049910, Singapore			
Standard Chartered Nominees (Singapore) Pte Ltd	Singapore	SGD1.00 Ordinary shares	100
The following companies have the address of 5/F, 4 Sandown Valley Crescent, Sandton, Gauteng, 2196, South Africa			
CMB Nominees Proprietary Limited	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	South Africa	ZAR Ordinary shares	100
The following company has the address of 1, 2, 4, 7, 9, 10F, No. 168/170 &, 8F, 12F, No.168, Tun Hwa N. Rd., Songshan Dist., Taipei, 105, Taiwan			
Standard Chartered Bank (Taiwan) Limited	Taiwan	TWD10.00 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	100
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	$1.00 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
StanChart Securities International LLC	United States	Membership Interest	100
Standard Chartered Capital Management (Jersey), LLC	United States	Membership Interest	100

Standard Chartered Securities (North America) 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 251Little Falls Drive, Wilmington, Delaware 19808, USA			
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
The following companies have the address of Standard Chartered House, Cairo Road, Lusaka, PO BOX 32238, Zambia			
Standard Chartered Bank Zambia Plc	Zambia	ZMW0.25 Ordinary shares	90
Standard Chartered Zambia Securities Services Nominees Limited	Zambia	ZMK1.00 Ordinary shares	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe			
Africa Enterprise Network Trust[3]	Zimbabwe	Interest in Trust	100
Standard Chartered Asset Management Limited	Zimbabwe	$0.001 Ordinary shares	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. Directly held by parent company of the Group

2.The Group has determined that these undertakings are excluded from being consolidated into the Group's 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.

3. No share capital by virtue of being a trust

Joint ventures

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of WTC II Building, Jalan Jenderal Sudirman Kav29-31, Jakarta, 12920' Indonesia			
PT Bank Permata Tbk	Indonesia	IDR125.00 B shares	44.6
The following company has the address of 100/36 Sathorn Nakorn Tower, Fl 21 North Sathorn Road, Silom Sub-District, Bangrak District, Bangkok, 10500, Thailand			
Resolution Alliance Limited	Thailand	THB10.00 Ordinary shares	49

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Bohai Bank Building, No.218 Hai He Dong Lu, Hedong District, Tianjin, China, 300012, China			
China Bohai Bank Co. Ltd	China	CNY Ordinary shares	19.99
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 Pte. Ltd	Singapore	$1.00 Ordinary shares	9.9

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 65A Basinghall Street, London, EC2V 5DZ, United Kingdom			
Cyber Defence Alliance Limited	United Kingdom	Membership interest	25
The following company has the address of Walker House, 87 Mary Street, George Town, KY1-9005, Cayman Islands			
Asia Trading Holdings Limited	Cayman Islands	$0.01 Ordinary shares	50
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 companies have the address of Harbour Centre #42 North Church Street, , PO Box 1348, Grand Cayman, KY1-1108 Cayman Islands, Cayman Islands			
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
The following companies have the address of 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands			
Greathorse Chemical Limited	Cayman Islands	$1.00 Ordinary shares	32.95
Hygienic Group	Cayman Islands	$0.01 Redeemable Exchangeable Preferred shares	29.32
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 company has the address of Nerine House, St George's Place, St Peter Port, GY1 3ZG, Guernsey			
Stonehage Fleming Family and Partners Ltd	Guernsey	£0.01 Class B shares	9.2
	Guernsey	£0.01 Class DC shares	20.2
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 shares	39.69
		$ Class B shares	39.69
Actis Jack Holdings (HK) Limited	Hong Kong	$ Class A shares	39.69
		$ Class B shares	39.69
Actis Rivendell Holdings (HK) Limited	Hong Kong	$ Class A shares	39.69
		$ Class B shares	39.69
Actis Temple Stay Holdings (HK) Limited	Hong Kong	$ Class A shares	39.69
		$ Class B shares	39.69
Actis Young City Holdings (HK) Limited	Hong Kong	$ Class A shares	39.69
		$ Class B shares	39.69

The following company has the address of Off CTS No. 216, Village Bandivali, Patel Estate, S. V. road, Jogeshwari (W) Mumbai City, 400102, India			
Hitodi Infrastructure Limited	India	Cumulative Redeemable Preference shares	100
The following company has the address of 70, Nagindas Master Road, Fort, Mumbai, 400023, India			
Joyville Shapoorji Housing Private Limited	India	INR10.00 Common Equity shares	25.8
The following company has the address of 5/F, Mahindra Towers, Worli, Mumbai, 400018, India			
Mahindra Homes Private Limited	India	INR10.00 Compulsorily Convertible Preference shares	100
		INR10.00 A Ordinary shares	25
		INR10.00 B Ordinary shares	100
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 No. 1, Kanagam Village, 10/F IITM Research Park, Taramani, Chennai – 600113, Tamil Nadu, India			
Northern Arc Capital Limited	India	INR20.00 Compulsorily Convertible Preference shares	33.5
	India	INR10.00 Equity shares	4.6
The following company has the address of E-78, South Extension Part-I, New Delhi, 110049, India			
Tek Travels Private Limited	India	INR10.00 Ordinary shares	31.92
The following company has the address of TRIO Building, 8/F, Jl, Kebon Sirih Raya Kav, 63, Jakarta, 10340, Indonesia			
PT Trikomsel Oke Tbk	Indonesia	IDR50.00 Series B shares	29.2
The following company has the address of 4/F St Pauls Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey			
Standard Jazeera Limited	Jersey	$100.00 Ordinary shares	20
Standard Topaz Limited	Jersey	$1,000.00 Ordinary shares	20
The following company has the address of 146-8 Chusa-ro Sinam-myeon, Yesan-gun Chungnam, Korea, Republic of			
Daiyang Metal Company Ltd	Korea, Republic of	KRW 500 Ordinary shares	23.1
		KRW 500 Preferred shares	100
		KRW 500 Convertible Preference shares	100
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
The following company has the address of 180B Bencoolen Street, #11-00 The Bencoolen, Singapore, 189648, Singapore			
Crystal Jade Group Holdings Pte Ltd	Singapore	$ Ordinary shares	42.6
The following company has the address of Blk 10, Kaki Bukit Avenue 1, #07-05 Kaki Bukitr Industrial Estate, 417492, Singapore			
MMI Technoventures Pte Ltd	Singapore	SGD Ordinary shares	50

		SGD 0.01 Redeemable Preference shares	50
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 81 Ubi Avenue 4, #03-11 UB One, 408830, Singapore			
Polaris Limited	Singapore	SGD Ordinary shares	25.8
The following company has the address of EADB Building, Plot 4 Nile Avenue, PO Box 7128, Kampala, Uganda			
East African Development Bank	Uganda	$13,500.00 Class B shares	24.5
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	40.7
The following company has the address of PO Box 957, Offshore Incorporations Centre,, Road Town, Tortola, BVI, Virgin Islands, British			
Ecoplast Technologies Inc	Virgin Islands, British	$0.0001 Class C Preferred shares	100

In liquidation

Subsidiary Undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Deloitte LLP, Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom			
SC Overseas Investments Limited	United Kingdom	AUD1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
Standard Chartered Capital Markets Limited	United Kingdom	£1.00 Ordinary shares	100
		$1.00 Ordinary shares	100
Standard Chartered Debt Trading Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (GCT) Limited	United Kingdom	£1.00 Ordinary shares	100
Compass Estates Limited	United Kingdom	£1.00 Ordinary shares	100
Chartered Financial Holdings Limited	United Kingdom	£5.00 Ordinary shares	100
		£1.00 Preference shares	100
The following company has the address of Cra 7 Nro 71-52 TA if 702, Bogata, Colombia			
Sociedad Fiduciaria Extebandes S.A.	Colombia	COP1.00 Ordinary shares	100
The following companies have the address of Schottegatweg Oost, 44, Curacao, Netherlands Antilles			
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
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 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 Level 16, Menara Standard Chartered, 30, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia			
Amphissa Corporation Sdn Bhd	Malaysia	RM1.00 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 Quai du General Guisan 38, 8022, Zurich, Switzerland, Switzerland			
Standard Chartered Bank (Switzerland) S.A.	Switzerland	CHF1,000.00 Ordinary shares	100
		CHF100.00 Participation Capital shares	100
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 100/3, Sathorn Nakorn Tower, 3rd Floor, North Sathorn Road, Silom, Bangrak, Bangkok, 10500, Thailand			
Standard Chartered (Thailand) Company Limited	Thailand	THB10.00 Ordinary shares	100
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

Associates

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Quadrant House, 4 Thomas More Square, London, E1W 1YW, United Kingdom			
MCashback Limited	United Kingdom	£0.01 Ordinary shares	31.7

Liquidated/dissolved/sold

Subsidiary Undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
St. Helens Nominees Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Canada) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Corporate Finance (Eurasia) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered (CT) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Equitor Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Financial Investments Limited	United Kingdom	£1.00 Ordinary A Shares	100
Standard Chartered Portfolio Trading (UK) Limited	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Receivables (UK) Limited	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Participacoes E Assessoria Economica Ltda	Brazil	BRL0.51 Common shares	100
SCL Consulting (Shanghai) Co. Ltd	China	$ Ordinary shares	100
Double Wings Limited	Hong Kong	HKD1.00 Ordinary shares	100
GE Capital (Hong Kong) Limited	Hong Kong	HKD10.00 Ordinary shares	100
Rivendell Private Limited	Hong Kong	$1.00 A Ordinary shares	84.8
Union Town Limited	Hong Kong	HKD1.00 Ordinary shares	100
Standard Chartered Bank Mozambique, S.A.	Mozambique	$1.00 Ordinary shares	100
Standard Chartered Investments (Singapore) Private Limited	Singapore	$ Ordinary shares	100
Prime Financial Holdings Limited	Singapore	SGD Ordinary shares	100

		$ Ordinary shares	100
Standard Chartered Securities (Singapore) Pte. Limited	Singapore	SGD Ordinary shares	100
Thai Exclusive Leasing Company Limited	Thailand	THB10.00 Ordinary shares	100
California Rose Limited	Virgin Islands, British	$1.00 Ordinary shares	90.5
Earnest Range Limited	Virgin Islands, British	$1.00 Ordinary shares	90.5

Significant investment holdings and other related undertakings

Name	Country of Incorporation	Description of shares	Proportion of shares held (%)
Chayora Holdings Limited	Cayman Islands	$0.01 Series B Preferred Shares	100
Ningbo Xingxin Real Estate Development Co.,Ltd*	China	CNY1.00 Registered Capital	60
Fast Great Investment Limited	Hong Kong	HKD1.00 Ordinary shares	28
Standard Latitude Consultancy (HK) Limited	Hong Kong	$5,000 Ordinary shares	20
Fountain Valley PFV Limited	Korea, Republic of	KRW5,000.00 Ordinary shares	47.3
Lotus PFV Co. Ltd	Korea, Republic of	KRW5,000.00 Ordinary shares	50
Smoothie King Holdings, Inc.	Korea, Republic of	KRW5,000.00 Ordinary shares	20.3
Maxpower Group Pte Ltd	Singapore	Redeemable Preference shares	100
		SGD Warrants	100

40. Transition to IFRS 9 Financial Instruments

Accounting policies applied to financial instruments prior to 1 January 2018.

Impairment of financial instruments

Impairment of financial instruments is performed on an incurred loss basis, when there is objective evidence of impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment of loans and receivables and held-to-maturity financial instruments.

Corporate & Institutional Banking and Commercial Banking

The assessment of the credit risk of corporate and commercial loans is done by the Credit Risk department, based upon counterparty information they receive from various sources including relationship managers and on external market information, or as soon as payment of interest or principal is 90 days overdue.

Once a loan starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as Credit Grade (CG) 12, the credit assessment and oversight of the loan will be performed by Group Special Asset Management (GSAM).

Where GSAM's assessment indicates that a loan is impaired, GSAM will calculate an Individual Impairment Provision (IIP) based on estimated cash flows revised to reflect anticipated recoveries. GSAM's assessment and calculation of impairment involves a significant level of judgement.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan and receivable or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The individual circumstances of each client are taken into account when GSAM estimates future cash flows. 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.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

In cases where the impairment assessment indicates that there will be a loss of principal, the loan is graded CG14 while other impaired loans will be graded CG13. Loans graded CG13–CG14 are classified as non-performing loans. The performing loan portfolio is subject to a Portfolio Impairment Provision (PIP) to cover latent losses i.e. those that are not specifically identified but are known, by experience, to be present in any performing portfolio. The PIP is based on models using risk sizing (including probability of default and loss given default), environmental parameters and exceptional adjustment overlays. The calculation of the PIP uses regulatory expected credit loss (ECL) models. ECL is subject to an emergence risk factor that is generally understood as the hypothetical amount of time between a loss event occurrence and the bank recognition of impairment. The emergence risk factor is the principal means of translating a risk position to an impairment estimate, and the main scaling factor to adjust the conservative regulatory expected loss to an effective PIP level, as the regulatory ECL models are more punitive than the incurred loss model under IAS 39. On a portfolio basis, the emergence risk factor ranges between two and three months based on structural economic drivers that might influence the accurate and timely discovery of credit issues in each country.

Retail Banking

An IIP is recognised for Retail Banking when an account meets a defined threshold condition in terms of overdue payments ('contractual default') or meets other objective conditions (such as bankruptcy, debt restructuring, fraud or death) as further described above in the assessment factors. The threshold conditions 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.

A credit obligation in Retail Banking clients portfolio that is more than 150 Days Past Due (DPD) or, a credit obligation secured by Wealth Management products that is 90DPD, is recognised as 'impaired' and IIP is provided for accordingly. There are, however, exceptions to this rule for portfolios where empirical evidence suggests that they should be set more conservatively. In addition, the credit account is recognised as 'impaired' immediately if the borrower files for bankruptcy or other equivalent forbearance programme, or the borrower is deceased, or the business is closed in the case of small business clients, or the borrower's other credit accounts with the Group are impaired. The core components of the IIP calculation are the value of gross charge-off and recoveries. Gross charge-off and/or provisions are recognised when it is established that the account is unlikely to pay. Recovery of unsecured debt post-impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Provision release of secured loans post-impairment 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), or the loan is paid to current and remains in current for more than 180 days (release of full provision).

Retail Banking PIP, covering the inherent losses in the portfolio that exist at the balance sheet date but have not been individually identified, is computed on performing loans (no IIP), using Expected Loss (EL) rates, to determine latent losses in the portfolio. The EL utilises probability of default and loss given default inherent within the portfolio of impaired loans or receivables and the historical loss experience for assets with credit risk characteristics similar to those in the Group. For defaulted yet non-impaired accounts (greater than 90 days past due) full EL is used, while for non-defaulted accounts, a three month emergence period is applied. An

adjustment is added to the PIP calculation to take into the account instances where the EL-based PIP is deemed imprecise due to under-prediction or over-prediction of EL by underlying models. An overlay in the form of Special Risk Adjustment (SRA) is added to the EL-based PIP calculation to take into account instances where EL-based PIP is deemed insufficient to incorporate the impact of a specific credit event. An overlay in the form of Business Cycle Adjustment (BCA) is taken to account for the impact of cyclical volatility in the operating environment, which is not adequately covered in the underlying models.

Impairment of available-for-sale financial instruments

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is reclassified from equity and recognised in the income statement.

Classification and measurement of financial instruments

The Group classifies its financial assets into the following measurement categories: financial assets held at fair value through profit or loss; loans and receivables; held-to-maturity; or available-for-sale.

Financial liabilities are classified as either held at fair value through profit or loss or at amortised cost.

Management determines the classification of its financial assets and liabilities at initial recognition.

The following details the approach for the categories:

a) Financial assets and liabilities held at fair value through profit or loss: This category has two sub-categories:

- → Financial assets and liabilities held for trading: A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short term, or forms part of a portfolio of financial instruments which are managed together and for which there is evidence of short-term profit-taking or is a derivative (excluding qualifying hedging relationships)
- → 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 (for example, the Group may designate certain fixed rate loans and receivables that are managed with derivative interest rate swaps)
- → A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis (for example, the Group may designate issued debt to fund a portfolio of trading assets and liabilities that are all managed on a fair value basis)
- → The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately

b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that apart from credit deterioration substantially all of the initial investment will be recovered.

c) Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity.

d) Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

e) Financial liabilities held at amortised cost: Financial liabilities, which include borrowings not classified as held at fair value through profit or loss, are classified as amortised cost instruments. 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 shareholders, 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.

Initial recognition of financial instruments

All financial instruments are initially recognised at fair value, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are carried at fair value, with gains and losses arising from changes in fair value taken directly to the net trading income line in the income statement except for changes in fair value on financial liabilities designated at fair value attributable to the Group's own credit presented directly within other comprehensive income.

Available-for-sale financial assets are carried at fair value, with gains and losses arising from changes in fair value taken to the available-for sale reserve within equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the income statement.

Loans and receivables are carried at amortised cost using the effective interest method.

Held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Financial liabilities are stated at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

In addition to these instruments, the carrying value of a financial instrument carried at amortised cost that is the hedged item in a qualifying fair value hedge relationship is adjusted by the fair value gain or loss attributable to the hedged risk.

Group

Balance Sheet

	IAS 39 31 December 2017	Classification & measurement[2]	Expected credit losses	Other impacts	IFRS 9 1 January 2018
	$million	$million	$million	$million	$million
Cash and balances at central banks	58,864	-	-	-	58,864
Financial assets held at fair value through profit or loss	27,324	46,989	-	-	74,313
Derivative financial instruments	47,755	-	-	-	47,755
Loans and advances to banks	78,178	(15,888)	(7)	-	62,283
Of which - Reverse repurchase agreements and other similar secured lending	20,694	(15,593)	-		5,101
Loans and advances to customers	282,286	(29,964)	(815)	-	251,507
Of which - Reverse repurchase agreements and other similar secured lending	33,581	(29,015)	-	-	4,566
Investment securities	116,935	(1,102)	(19)	-	115,814
Other assets	33,380	-	-	-	33,380
Due from subsidiary undertakings and other related parties	1,234	-	-	-	1,234
Current tax assets	491	-	-	1	492
Prepayments and accrued income	2,307	-	-	-	2,307
Interests in associates and joint ventures	2,299	-	-	(52)	2,247
Goodwill and intangible assets	4,511	-	-	-	4,511
Property, plant and equipment	6,533	-	-	-	6,533
Deferred tax assets	1,177	-	-	125	1,302
Assets classified as held for sale	478	-	-	-	478
Total assets	663,752	35	(841)	74	663,020
Deposits by banks	30,945	-	-	-	30,945
Customer accounts	370,509	-	-	-	370,509
Repurchase agreements and other similar secured borrowing	39,783	(38,144)	-	-	1,639
Financial liabilities held through profit or loss	16,633	38,139	-	-	54,772
Derivative financial instruments	48,371	-	-	-	48,371
Debt securities in issue	30,181	-	-	-	30,181
Other liabilities	35,081	-	-	-	35,081
Due to parent companies, subsidiary undertakings & other related parties	15,949	-	-	-	15,949
Current tax liabilities	351	-	-	(11)	340
Accruals and deferred income	5,082	-	-	-	5,082
Subordinated liabilities and other borrowed funds	15,571	-	-	-	15,571
Deferred tax liabilities	383	-	-	(37)	346
Provisions for liabilities and charge[1]	179	-	176	-	355
Retirement benefit obligations	455	-	-	-	455
Total liabilities	609,473	(5)	176	(48)	609,597
Share capital and share premium account	28,320	-	-	-	28,320
Other reserves	(4,256)	(160)	65	(7)	(4,358)
Retained earnings[1]	20,644	196	(1,017)	130	19,953
Total parent company shareholders' equity	44,708	36	(952)	123	43,915
Other equity instruments	5,000	-	-	-	5,000
Total equity excluding non-controlling interests	49,708	36	(952)	123	48,915
Non-controlling interests	4,571	-	(63)	-	4,508
Total equity	54,279	38	(1,015)	123	53,423
Total equity and liabilities	663,752	35	(841)	74	663,020

1. The Group's initial estimate of credit impairment provisions on adoption of IFRS 9 was $6,720 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment provisions has been revised down by $222 million to $6,498 million, and the net expected credit loss of $(1,296) million adjusted against retained earnings has similarly decreased by $222 million to $(1,074) million

2 FVTPL financial assets have increased due to reclassifications of $44,608 million of reverse repurchase agreements (IAS 39: loans and receivables), $1,244 million of loans and advances to banks and customers (IAS 39: loans and receivables), $511 million of investment debt securities (IAS 39: available-for sale) and $684 million of equity shares (IAS 39: available-for-sale), with the remaining $29m being IFRS 9 re-measurement adjustments. Repurchase agreements of $38,144 million have been reclassified from amortised cost under IAS 39 to FVTPL

Statement of changes in equity

	Share capital and share premium account $million	Capital and merger reserves $million	Own credit adjustment reserve $million	Available-for-sale reserve $million	Fair value through OCI reserve $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 31 December 2017	28,320	40	78	112	-	(46)	(4,440)	20,644	44,708	5,000	4,571	54,279
Net impact of:	-	-	-	(112)	(48)	-	-	197	37	-	-	37
IFRS 9 reclassifications[1]	-	-	-	(112)	(52)	-	-	164	-	-	-	-
IFRS 9 re-measurements[2]	-	-	-	-	4	-	-	33	37	-	-	37
Expected credit loss, net[3]	-	-	-	-	66	-	-	(1,018)	(952)	-	(63)	(1,015)
Tax impact[4]	-	-	-	-	(6)	-	-	179	173	-	-	173
Impact of IFRS 9 on share of joint ventures and associates, net of tax	-	-	-	-	(2)	-	-	(49)	(51)	-	-	(51)
Estimated IFRS 9 transition adjustments	-	-	-	(112)	10	-	-	(691)	(793)	-	(63)	(856)
As at 1 January 2018	28,320	40	78	-	10	(46)	(4,440)	19,953	43,915	5,000	4,508	53,423

1 Available-for-sale category has been removed under IFRS 9. Unrealised gains and losses have been transferred to fair value through other comprehensive income (FVOCI) reserves, or retained earnings where the instruments are held as FVTPL. The FVOCI reserve includes a $187 million loss in respect of equity securities designated as FVOCI, partly offset by $18 million gain on debt securities designated as FVOCI

2 The remeasurement impact of financial assets that are now measured at fair value under IFRS 9

3 Impact from adopting expected credit losses. Gross impact is estimated at $1,082 million (comprising $1,018 million in retained earnings and $63 million in non-controlling interests). As FVOCI debt instruments are held at fair value on the balance sheet, the expected credit loss charged to retained earnings is recognised as a credit to the FVOCI reserve. The net FVOCI reserve relating to FVOCI debt instruments will be recycled to the income statement on disposal of the instruments

4 Tax of $173 million has been credited to reserves as a result of transition to IFRS 9. Of this, deferred tax of $142 million has been credited to retained earnings, and is provided on additional deductible temporary differences that have arisen from loss provisions due to initial adoption of the expected credit loss approach

Impact of moving from an incurred loss approach to an expected credit loss approach

	1 January 2018							
	Loss allowances per IAS 39			Expected credit loss per IFRS 9				
	Portfolio impairment provisions $million	Individual impairment provisions $million	Total $million	Stage 1 $million	Stage 2 $million	Stage 3 $million	Total $million	Increase/ (decrease) $million
Corporate & Institutional Banking	156	3,466	3,622	105	394	3,433	3,932	310
Retail Banking	208	275	483	382	178	389	949	466
Commercial Banking	99	1,431	1,530	39	93	1,369	1,501	(29)
Private Banking	2	67	69	8	1	91	100	31
Central & other items	-	-	-	4	-	-	4	4
Total loans and advances to customers[1]	465	5,239	5,704	538	666	5,282	6,486	782
Loans and advances to banks	1	4	5	6	2	4	12	7
Financial guarantees	-	77	77	6	16	77	99	22
Debt securities and other eligible bills - amortised cost	-	114	114	3	16	213	232	118
Debt securities and other eligible bills - FVOCI	-	-	-	23	42	-	65	65
Total	466	5,434	5,900	576	742	5,576	6,894	994

1 Includes both drawn and undrawn commitments

Movement in loss provisions

	Debt securities	FVOCI debt securities	Loans to banks	Loans to customers	Provisions for liabilities and charges: Undrawn commitments	Provisions for liabilities and charges: Guarantees	Total
	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Total IAS 39 loss provisions	114	-	5	5,702[1]	2[1]	77	5,900
Reclassifications:							
Loss provisions reclassified to FVTPL	(109)	-	-	(122)	-	-	(231)
Modification losses netted against gross exposure	-	-	-	(65)	-	-	(65)
Adjusted IAS 39 loss provisions	5	-	5	5,515	2	77	5,604
Additional expected credit loss provisions	227	65	7	815	154	22	1,290
Total IFRS 9 impairment provisions	232	65	12	6,330[2]	156[2]	99	6,894
Estimated net expected credit loss movement	118	65	7	628	154	22	994

1 Total IAS 39 loss allowances ($5,704 million) applied to loans and advances to customers as previously reported (page 72)

2 Total IFRS 9 expected credit losses ($6,486 million) applied to loans and advances to customers (page 62)

Impact on non-performing loans to customers and banks[1]

	Corporate & Institutional Banking	Retail Banking	Commercial Banking	Private Banking	Total
	$million	$million	$million	$million	$million
Gross					
At 31 December 2017	5,957	489	2,026	207	8,679
Modified loans	(39)	-	(26)	-	(65)
Performing forborne (impaired)	-	329	-	-	329
Reclassified	(62)	-	(40)	-	(102)
At 1 January 2018	5,856	818	1,960	207	8,841
Credit impairment provisions					
At 31 December 2017 (IAS 39 IIP)	3,468	215[2]	1,431	67	5,181
Modified loans	(39)	-	(26)	-	(65)
Performing forborne (impaired)	-	60	-	-	60
Reclassified to FVTPL	(81)	-	(40)	-	(121)
Additional expected credit loss	1	114	6	-	121
GSAM multiple scenario provisions	88	-	(2)	24	110
At 1 January 2018 (stage 3)	3,437	389[2]	1,369	91	5,286
IAS 39 PIP at 31 December 2017	157	208	99	2	466
Collateral at 31 December 2017	1,111	218	277	203	1,809
Non-performing cover ratios:					
At 31 December 2017 (IAS 39)	61%	87%	75%	33%	65%
At 31 December 2017 (IAS 39, excluding PIP)	58%	44%	71%	32%	60%
At 1 January 2018 (IFRS 9)	59%	48%	70%	44%	60%
At 31 December 2017 (IAS 39, including collateral)	77%	89%	84%	100%	81%
At 1 January 2018 (IFRS 9, including collateral)	78%	74%	84%	100%	80%
Of the above, included in the liquidation portfolio:					
Gross	1,945	-	125	156	2,226
Credit impairment provisions (IAS 39)	1,388	-	123	62	1,573
Additional provisions (IFRS 9)	29	-		24	53
At 1 January 2018 (stage 3)	1,417		123	86	1,626
Non-performing cover ratios:					
At 31 December 2017 (IAS 39)	71%	-	98%	40%	71%
At 1 January 2018 (IFRS 9)	73%	-	98%	55%	73%
At 31 December 2017 (IAS 39, including collateral)	84%	-	98%	100%	86%
At 1 January 2018 (IFRS 9, including collateral)	85%	-	98%	100%	88%

1 Includes FVTPL impaired loans

2 Under IAS 39, Retail Banking non-performing loans excluded those impaired loans classified as performing

Company

Balance Sheet

	IAS 39 31 December 2017	Classification & measurement[2]	Expected credit losses	Other impacts	IFRS 9 1 January 2018
	$million	$million	$million	$million	$million
Cash and balances at central banks	44,951	-	-	-	44,951
Financial assets held at fair value through profit or loss	17,584	45,456	-	-	63,040
Derivative financial instruments	47,535	-	-	-	47,535
Loans and advances to banks	47,494	(15,871)	(2)	-	31,622
Of which - Reverse repurchase agreements and other similar secured lending	15,596	(15,574)	-		22
Loans and advances to customers	128,371	(29,156)	(354)	-	98,861
Of which - Reverse repurchase agreements and other similar secured lending	31,707	(28,979)	-	-	2,728
Investment securities	59,512	(417)	(16)	-	59,078
Other assets	22,881	-	-	-	22,881
Due from subsidiary undertakings and other related parties	16,629	-	-	(3)	16,626
Current tax assets	373	-	-	-	373
Prepayments and accrued income	1,199	-	-	-	1,199
Interests in associates and joint ventures	860	-	-	-	860
Investments in subsidiary undertakings	13,517	-	-	1	13,518
Goodwill and intangible assets	2,500	-	-	-	2,500
Property, plant and equipment	449	-	-	-	449
Deferred tax assets	780	-	-	61	841
Assets classified as held for sale	5	-	-	-	5
Total assets	404,640	13	(373)	59	404,339
Deposits by banks	24,348	-	-	-	24,348
Customer accounts	143,532	-	-	-	143,532
Repurchase agreements and other similar secured borrowing	37,786	(37,369)	-	-	417
Financial liabilities held through profit or loss	9,802	37,365	-	-	47,167
Derivative financial instruments	47,536	-	-	-	47,536
Debt securities in issue	25,446	-	-	-	25,446
Other liabilities	23,283	-	-	(2)	23,281
Due to parent companies, subsidiary undertakings & other related parties	34,261	-	-	1	34,262
Current tax liabilities	122	-	-	-	122
Accruals and deferred income	3,132	-	-	-	3,132
Subordinated liabilities and other borrowed funds	14,692	-	-	-	14,692
Deferred tax liabilities	260	-	-	(16)	244
Provisions for liabilities and charge[1]	262	-	116	-	378
Retirement benefit obligations	409	-	-	-	409
Total liabilities	364,871	(4)	116	(17)	364,966
Share capital and share premium account	28,320	-	-	-	28,320
Other reserves	(1,358)	(29)	24	3	(1,360)
Retained earnings[1]	7,807	43	(512)	76	7,413
Total parent company shareholders' equity	34,769	14	(489)	78	34,373
Other equity instruments	5,000	-	-	-	5,000
Total equity excluding non-controlling interests	39,769	14	(489)	78	39,373
Non-controlling interests	-	-	-	-	-
Total equity	39,769	14	(489)	78	39,373
Total equity and liabilities	404,640	10	(373)	61	404,339

1. The Group's initial estimate of credit impairment provisions on adoption of IFRS 9 was $6,720 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment provisions has been revised down by $222 million to $6,498 million, and the net expected credit loss of $(1,296) million adjusted against retained earnings has similarly decreased by $222 million to $(1,074) million

2 FVTPL financial assets have increased due to reclassifications of $44,608 million of reverse repurchase agreements (IAS 39: loans and receivables), $1,244 million of loans and advances to banks and customers (IAS 39: loans and receivables), $511 million of investment debt securities (IAS 39: available-for sale) and $684 million of equity shares (IAS 39: available-for-sale), with the remaining $29m being IFRS 9 re-measurement adjustments. Repurchase agreements of $38,144 million have been reclassified from amortised cost under IAS 39 to FVTPL

Statement of Changes in Equity

	Share capital and share premium account $million	Capital and merger reserves $million	Own credit adjustment reserve $million	Available-for-sale reserve $million	Fair value through OCI reserve $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Other equity instruments $million	Total $million
As at 31 December 2017	28,320	40	52	(23)	-	(43)	(1,384)	7,807	5,000	39,769
Net impact of:	-	-	-	23	(51)	-	-	42	-	14
IFRS 9 reclassifications[1]	-	-	-	23	(51)	-	-	28	-	-
IFRS 9 re-measurements[2]	-	-	-	-	-	-	-	14	-	14
Expected credit loss, net[3]	-	-	-	-	23	-	-	(512)	-	(489)
Tax impact[4]	-	-	-	-	3	-	-	76	-	79
Impact of IFRS 9 on share of joint ventures and associates, net of tax	-	-	-	-	-	-	-	-	-	-
Estimated IFRS 9 transition adjustments	-	-	-	23	(25)	-	-	(394)	-	(396)
As at 1 January 2018	28,320	40	52	-	(25)	(43)	(1,384)	7,413	5,000	39,373

1 Available-for-sale category has been removed under IFRS 9. Unrealised gains and losses have been transferred to fair value through other comprehensive income (FVOCI) reserves, or retained earnings where the instruments are held as FVTPL. The FVOCI reserve includes a $187 million loss in respect of equity securities designated as FVOCI, partly offset by $18 million gain on debt securities designated as FVOCI

2 The remeasurement impact of financial assets that are now measured at fair value under IFRS 9

3 Impact from adopting expected credit losses. Gross impact is estimated at $512 million. As FVOCI debt instruments are held at fair value on the balance sheet, the expected credit loss charged to retained earnings is recognised as a credit to the FVOCI reserve. The net FVOCI reserve relating to FVOCI debt instruments will be recycled to the income statement on disposal of the instruments

4 Tax of $79 million has been credited to reserves as a result of transition to IFRS 9. Of this, deferred tax of $142 million has been credited to retained earnings, and is provided on additional deductible temporary differences that have arisen from loss provisions due to initial adoption of the expected credit loss approach

Impact of moving from an incurred loss approach to an expected credit loss approach

		1 January 2018							
		Loss allowances per IAS 39			Expected credit loss per IFRS 9				
		Portfolio impairment provisions $million	Individual impairment provisions $million	Total $million	Stage 1 $million	Stage 2 $million	Stage 3 $million	Total $million	Increase/ (decrease) $million
Corporate & Institutional Banking		126	3,135	3,261	80	280	3,087	3,447	186
Retail Banking		66	73	139	100	62	98	260	121
Commercial Banking		61	842	903	11	52	830	893	(10)
Private Banking		1	66	67	5	1	90	96	29
Central & other items		-	-	-	4	-	-	4	4
Total loans and advances to customers	1	254	4,116	4,370	200	395	4,105	4,700	330
Loans and advances to banks		1	4	5	3	1	4	8	3
Financial guarantees		-	59	59	4	14	60	78	19
Debt securities and other eligible bills - amortised cost		-	87	87	3	14	5	22	(65)
Debt securities and other eligible bills - FVOCI		-	-	-	16	11	-	27	27
Total		255	4,266	4,521	226	435	4,174	4,835	314

1 Includes both drawn and undrawn commitments

Movement in loss provisions

Company	Debt securities $ million	FVOCI debt securities $ million	Loans to banks $ million	Loans to customers $ million	Provisions for liabilities and charges: Undrawn commitments $ million	Provisions for liabilities and charges: Guarantees $ million	Total $ million
Total IAS 39 loss provisions	87	-	5	4,368[1]	2[1]	59	4,521
Reclassifications:							
Loss provisions reclassified to FVTPL	(84)	-	-	(93)	-	-	(177)
Modification losses netted against gross exposure	-	-	-	(50)	-	-	(50)
Adjusted IAS 39 loss provisions	3	-	5	4,225	2	59	4,294
Additional expected credit loss provisions	19	27	3	375	98	19	541
Total IFRS 9 impairment provisions	22	27	8	4,600[2]	100[2]	78	4,835
Estimated net expected credit loss movement	(65)	27	3	232	98	19	314

1 Total IAS 39 loss allowances ($4,370 million) applied to loans and advances to customers as previously reported (page 329)

2 Total IFRS 9 expected credit losses ($4,700 million) applied to loans and advances to customers (page 329)

Standard Chartered Bank 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.

Advances-to-deposits/customer advances-to-deposits (ADR) ratio

The ratio of total loans and advances to customers relative to total customer accounts. 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.

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 28 countries and territories.

Basic underlying earnings per share (EPS)

Represents the underlying 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 IV or Capital Requirements Directive IV

A capital adequacy legislative package adopted by EU member states. CRD IV 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.

Capital-lite income

Comprises of income 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.

CRE or 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.

Constant currency

Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.

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.

CIR or Cost to income ratio

Represents the proportion of total operating expenses to total operating income. Underlying CIR represents the proportion of total underlying expenses to total underlying operating income.

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.

Cover ratio

The ratio of impairment provisions for each stage to the gross loan exposure for each stage. For stage 3, the cover ratio is also presented as the ratio of impairment provisions plus the realisable value of collateral to the gross loan exposure.

Cover ratio (after collateral)

Represents the extent to which non-performing loans are covered by both impairment provisions, and collateral held against the exposure.

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 transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

DTA or 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.

DTL or 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 underlying earnings per share (EPS)

Represents the underlying earnings divided by the diluted weighted average number of 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 28 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'.

Free deliveries

A transaction where a bank takes receipt of a debt or equity security, a commodity or foreign exchange without making immediate payment, or where a bank delivers a debt or equity security, a commodity or foreign exchange without receiving immediate payment.

Free funds

Free funds include equity capital, retained reserves, current year unremitted profits and capital injections net of proposed dividends. It does not include debt capital instruments, unrealised profits or losses or any non-cash items.

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 IV 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. The G-SIB buffer is being phased in by 1 January 2019. In the EU, the G-SIB buffer is implemented via CRD IV as Global Systemically Important Institutions (G-SII) buffer requirement.

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.

IMA approach or 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 IV/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 IV 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.

Liquid asset ratio

Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.

Liquidation portfolio

A portfolio of assets which is beyond our current risk appetite metrics and is held for liquidation.

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

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.

Loan loss rate

Loan loss rate is total credit impairment for loans and advances to customers over average loans and advances to customers

Loans to banks

Amounts loaned to credit institutions including securities bought under Reverse repo.

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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.

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.

NIM or Net interest margin

Net interest income divided by average interest earning assets.

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.

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.

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 earnings'.

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.

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.

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.

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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.

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.

RoE or Return on equity

Represents 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. Underlying return on equity represents the ratio above using underlying earnings. See 'Underlying earnings'.

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'.

RoTE or Return on tangible equity

Represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying return on tangible equity represents the ratio above using underlying earnings. See '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 (SE) 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 after 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).

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.

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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.

TSR or Total shareholder return

The total return of the Group's equity (share price growth and dividends) to investors.

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.

Underlying earnings

The Group's statutory performance 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.

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'.